

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

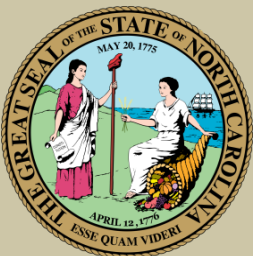
BETH A. WOOD, CPA



TOWN OF FRANKLINTON

FRANKLINTON, NORTH CAROLINA

INVESTIGATIVE REPORT
MAY 2022



NC\$OSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor initiated an investigation in response to three allegations received regarding the Town of Franklinton (Town).

BACKGROUND

The Town was incorporated in 1842¹ and is located in Franklin County, North Carolina. The Town operates as a council-manager form of government. The Board of Commissioners (Board), which consists of five Commissioners and a Mayor, is responsible for establishing Town policies, programs, and procedures.² The Town provides general government services including public safety and public works to approximately 2,456 residents.³ For the fiscal years ended June 30, 2020 and 2021, the Town Board approved annual budgets of approximately \$3 million.

The Board appoints a Town Manager, who is responsible for overseeing Town financial operations and supervising Town employees.⁴

KEY FINDING

The Town Manager made purchases totaling \$37,900 without following formal bidding requirements in violation of the Town Administrative Policy-Purchasing manual (Purchasing Policy).

KEY RECOMMENDATIONS

- The Town Manager should follow the formal bidding requirements for all purchases in accordance with the Town's Purchasing Policy.
- The Town Manager and Town Commissioners should ensure employees are aware of all Town policies.
- The Town Manager and Town Commissioners should periodically review and revise the Purchasing Policy as needed to ensure it is current and reflects the needs of the Town.

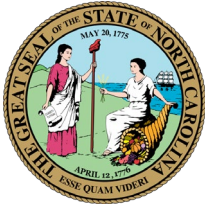
¹ https://www.franklintonnc.us/sites/g/files/vyhli6516/f/uploads/downtown_revitalization_and_5y_plan.pdf

² https://www.franklintonnc.us/sites/g/files/vyhli6516/f/uploads/chapter_30_-_town_governance.pdf

³ According to the United States Census Bureau, 2020 decennial census data.

⁴ https://www.franklintonnc.us/sites/g/files/vyhli6516/f/uploads/chapter_31_-_officers_and_employees.pdf

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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<https://www.auditor.nc.gov>

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Town of Franklinton Board of Commissioners

Ladies and Gentlemen:

Pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B, we have completed an investigation of allegations concerning the Town of Franklinton. 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 N.C.G.S. § 147-64.6(c)(12). We appreciate the cooperation received from the management and employees of the Town of Franklinton during our investigation.

Respectfully submitted,

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

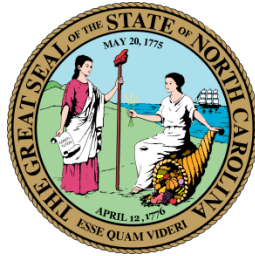
Beth A. Wood, CPA
State Auditor



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BACKGROUND

The Office of the State Auditor initiated an investigation in response to three allegations received regarding the Town of Franklinton (Town).

Our investigation of these allegations included the following procedures:

- Review of applicable North Carolina General Statutes, Town Board of Commissioners (Board) meeting minutes, and Town policies and procedures.
- Examination and analysis of available documentation related to the allegations.
- Interviews with Town officials and personnel, including the Town Manager and Attorney, Town Commissioners, and a contractor.

This report presents the results of the investigation. The investigation was conducted pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B.

The Town was incorporated in 1842⁵ and is located in Franklin County, North Carolina. The Town operates as a council-manager form of government. The Board of Commissioners (Board), which consists of five Commissioners and a Mayor, is responsible for establishing Town policies, programs, and procedures.⁶ The Town provides general government services including public safety and public works to approximately 2,456 residents.⁷ For the fiscal years ended June 30, 2020 and 2021, the Town Board approved annual budgets of approximately \$3 million.

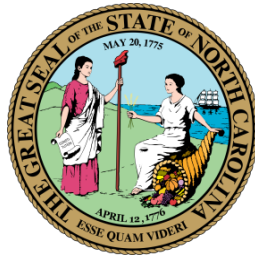
The Board appoints a Town Manager, who is responsible for overseeing Town financial operations and supervising Town employees.⁸

⁵ https://www.franklintonnc.us/sites/g/files/vyhli6516/f/uploads/downtown_revitalization_and_5y_plan.pdf

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⁷ According to the United States Census Bureau, 2020 decennial census data.

⁸ https://www.franklintonnc.us/sites/g/files/vyhli6516/f/uploads/chapter_31_-_officers_and_employees.pdf



FINDING AND RECOMMENDATIONS

TOWN MANAGER MADE PURCHASES TOTALING \$37,900 WITHOUT FOLLOWING FORMAL BIDDING REQUIREMENTS

The Town of Franklinton (Town) Manager contracted services from Franklinton Development LLC (Franklinton Development) totaling \$37,900 without following the formal bidding requirements, in violation of the Town of Franklinton Administrative Policy-Purchasing manual (Purchasing Policy). As a result, the Town may have overpaid for these services and spent money that could have been used for other purposes.

Purchases Made in Violation of Town Purchasing Policy

From July 2020 to October 2021, the Town contracted services totaling \$37,900 without following the formal bidding requirements as required by the Purchasing Policy.

Specifically, the Town Manager contracted with Franklinton Development for two projects including the downtown development of an alleyway (\$15,000) and the demolition and repair of two properties (\$22,900).

According to the Town Manager, he did not solicit bids for the projects in writing, but instead called a few companies to obtain quotes. Additionally, he admitted that he did not obtain written quotes due to the size of the projects and the limited interest he encountered, which he attributed to the ongoing COVID-19 pandemic.⁹

Specifically, the Town Manager stated, “Unfortunately, there just wasn’t enough [money] to get anybody of real interest... and we’re also working with time constraints.” In reference to the pandemic, the Town Manager stated, “...quite honestly, it was a bad time to get bids.”

These factors led the Town Manager to select Franklinton Development without soliciting the bids in writing or obtaining written bids as required by the Purchasing Policy.

Resulted in Potential Overpayment

As a result of the failure to follow formal bidding requirements, the Town may have paid more than necessary for these two projects. The additional funds spent could have been used for other Town operations.

The Purchasing Policy states that the objective of obtaining the required quotes is “...to provide additional assurances that the citizen’s interests are protected...” and “...to assure the best value is obtained for the Town...”

Caused by Failure to Observe Town Purchasing Policy

The Town Manager did not follow the Town Purchasing Policy that required written solicitation of bids for purchases over \$10,000.

The Town Manager, who is a retiree with approximately 40 years of government experience, was hired by the Town in 2018 to assist with stabilizing¹⁰ the Town. He was initially hired for six months and was subsequently asked by the Town Commissioners to stay for three years.

At the beginning of the investigation, the Town Manager provided the five-page Purchasing Policy to investigators. However, when shown the section of the Purchasing Policy that outlines

⁹ On March 11, 2020, coronavirus (COVID-19) was declared a global pandemic by the World Health Organization.

¹⁰ According to the Town Manager, he was hired on an emergency basis due to the termination of the previous Town Manager. The stabilization provided by the Town Manager involved filling an emergency need and guiding the Town, which included hiring and personnel decisions, downtown development, and technology upgrades.

the bidding requirements, the Town Manager stated, "I've honestly not seen this [the policy] before that I recall."

When asked why he did not follow the Purchasing Policy, the Town Manager stated, "...I thought we were using the State bid laws."

Purchasing Policy Requires Written Solicitation of Bids

The Purchasing Policy¹¹ states, "Request for Quotes are to be **solicited in writing** to a sufficient number of vendors to assure the best value is obtained for the Town" for any **purchases greater than \$10,000**. (*emphasis added*)

The Purchasing Policy also states why the thresholds for soliciting bids are lower than the applicable statutory requirements for North Carolina State Government:

In as much as the Town must comply with all applicable statutory requirements [sic] that pertain to purchasing, the Town believes that the statutory requirements with regard to the thresholds [sic] that are established to determine when and how competitive [sic] quotes are solicited, while those thresholds [sic] may be appropriate for larger towns, are too high for Franklinton.

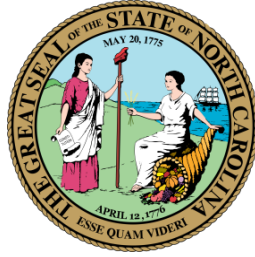
RECOMMENDATIONS

The Town Manager should follow the formal bidding requirements for all purchases in accordance with the Town's Purchasing Policy.

The Town Manager and Town Commissioners should ensure employees are aware of all Town policies.

The Town Manager and Town Commissioners should periodically review and revise the Purchasing Policy as needed to ensure it is current and reflects the needs of the Town.

¹¹ The Town of Franklinton Administrative Policy-Purchasing manual was last updated on March 4, 2010 and may not reflect current state law or Town practices.



RESPONSE FROM THE TOWN OF FRANKLINTON



Town of Franklinton

101 N Main St
Franklinton, NC, 27525
919-494-2520

May 13, 2022

The Honorable Beth Wood, CPA. State Auditor

Dear Ms. Wood:

The Town of Franklinton has reviewed the report from your office and appreciates the efforts made by your staff. We are dedicated to providing excellent services at the lowest possible cost while adhering to all laws and regulations. We recognize the Manager's error in not bidding these contracts and will assure that all existing staff and future employees are properly trained on our policies. At a minimum, each year the Manager and the Board will review our purchasing policies to assure that they reflect our needs.

Thank you for your assistance in this matter.

Sincerely,


Gregory Bethea,
Town Manager

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
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20601 Mail Service Center
Raleigh, North Carolina 27699

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Internet: <http://www.auditor.nc.gov>



To report alleged incidents of fraud, waste or abuse in state government contact the
Office of the State Auditor Fraud Hotline:

Telephone: 1-800-730-8477

Internet: <https://www.auditor.nc.gov/about-us/state-auditors-hotline>

For additional information contact the
North Carolina Office of the State Auditor at:
919-807-7666



This investigation required 720 hours at an approximate cost of \$76,320.