

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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March 30, 2023

Carteret County Board of Commissioners
Jimmy Farrington, Chair, Carteret County Board of Commissioners
Tommy Burns, Carteret County Manager

Ladies and Gentlemen:

The North Carolina Office of the State Auditor received an allegation through its Hotline concerning Broad and Gales Creek EMS, Inc. (Broad and Gales Creek EMS). The allegation was about the potential misuse of Broad and Gales Creek EMS funds.

Pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B, we have completed an investigative audit of the allegations. This letter provides the results of our investigative audit, along with recommendations for corrective action. This letter does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

We appreciate the cooperation received from the management and employees of Broad and Gales Creek EMS during our investigative audit.

Background

Broad and Gales Creek EMS was overseen by the Carteret County (County) Emergency Services Department. The County's Emergency Services Department currently oversees 12 emergency medical services (EMS) departments, as well as County Medics.

Broad and Gales Creek EMS was overseen by the County until the department closed on June 30, 2022. At that time, the County took possession of all medical equipment, vehicles, and recovered \$182,395 in reserve funds from Broad and Gales Creek EMS.

According to the bylaws, Broad and Gales Creek EMS was a 501(c)(3) non-profit organization overseen by a Board of Directors (Board). The Board elected the Chief, who was responsible for the daily operations and had the authority to co-sign all checks. The Chief was also authorized to make purchases of up to \$500 in "emergency/miscellaneous expenses".

Broad and Gales Creek EMS had a treasurer who was in charge of financial management. While the treasurer was charged with the financial management, investigators found that the former Chief handled the majority of the financial management, including having access to all bank accounts, credit cards, and checks.

Broad and Gales Creek EMS department was funded through a combination of County funds, payments from billing for services, and donations. For the year ended June 30, 2021, Broad and Gales Creek EMS reported revenue of \$660,836. Carteret County provided \$516,180, or 78%, of the revenues to the Broad and Gales Creek EMS.

Finding

The former Chief of the Broad and Gales Creek EMS was unable to provide supporting documentation¹ and a business purpose for \$59,722 of purchases during the 2021 calendar year.

Investigators reviewed all bank activity and credit card purchases for the calendar year 2021. During this review, 88 expenditures totaling \$201,894 were flagged as potential misuse,² including:

- \$15,867 credit card charges³
- \$1,842 checks written by the former Chief to herself⁴
- \$184,185 checks written to others

From that total, the Broad and Gales Creek EMS was unable to provide investigators with supporting documentation and an **approved business purpose** for 69 of the 88 purchases, totaling \$59,722, including:

- \$11,676 credit card charges⁵
- \$1,842 checks written by the former Chief to herself
- \$46,204 checks written to others.

Without documentation for these purchases, Broad and Gales Creek EMS cannot provide reasonable assurance that the funds were used for appropriate business purposes.

Not all purchases were supported because the Broad and Gales Creek EMS did not have fiscal management policies requiring that supporting documentation be maintained for purchases, for checks written to individuals and for payments of obligations such as the Broad and Gales Creek EMS' credit card bills.

Additionally, neither the Broad and Gales Creek EMS Board, nor the County, ensured proper separation of duties existed to ensure checks were only written to pay for expenditures that supported appropriate business purposes.

¹ Supporting documentation could include purchase orders, invoices, receipts, Board of Director's meeting minutes showing approval, or other records to support an expenditure's valid business purpose.

² Potential misuse was noted as purchases that were for an unusual vendor, purchases from restaurants, purchases that did not appear to have an obvious business purpose, or purchases that were potentially for personal use by the employee.

³ The former Chief was responsible for \$10,870 of these charges and the former Assistant Chief was responsible for \$4,997.

⁴ The former Chief signed the check written to herself and a Broad and Gales Creek EMS Board Member co-signed the check without any supporting documentation to show that the funds were approved for a legitimate business purpose.

⁵ The former Chief was responsible for \$10,329 of these charges and the former Assistant Chief was responsible for \$1,347.

Jimmy Farrington, Chair
Tommy Burns, Carteret County Manager
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Best practices identified by the United States Government Accountability Office (GAO) require management to maintain supporting documentation for all transactions. Specifically, GAO best practices require that:

Management clearly documents internal control and **all transactions** and other significant events in a manner that allows the documentation to be readily available for examination.⁶

The former Chief of Broad and Gales Creek EMS did not maintain documentation of a valid business purpose for all transactions.

Recommendation:

The Carteret County Emergency Services Department should ensure that all EMS department Chiefs maintain supporting documentation for transactions and have appropriate fiscal policies.

Carteret County should seek reimbursement for any expenditures for which the former Chief cannot provide a valid business purpose.

Respectfully submitted,



Beth A. Wood, CPA

State Auditor

⁶ GAO-14-704G Federal Internal Control Standards

Board of Commissioners
Jimmy Farrington, Chair
Mark Mansfield, Vice-Chair
Bob Cavanaugh
Chris Chadwick
David Quinn
Chuck Shinn
Ed Wheatly



County Manager
Tommy R. Burns, II

Clerk to the Board
Lori R. Turner

April 19, 2023

Office of State Auditor
Attn: Katie Gleason, CPA
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699

Ref: Carteret County Response to Audit Finding of Broad and Gales Creek EMS, Inc

Auditor Wood, Ms. Gleason,

Carteret County is in receipt of the audit findings of the Office of State Auditor concerning the Broad and Gales Creek EMS, Inc (Broad and Gales Creek EMS). Broad and Gales Creek EMS was a non-profit EMS agency providing EMS services to residents in the Broad and Gales Creek area. The County has reviewed the State Auditors investigative audit as well as the criminal investigation conducted at the County's request by the Carteret County Sheriff's Office. The County intends to share your recommendations with the Carteret County Sheriff's Office for additional follow up and potential criminal charges, if warranted. As additional insight in this matter and because of the problems enumerated in your findings, beginning July 1, 2022, Carteret County assumed the EMS operations of Broad and Gales Creek EMS, Inc.

In response to the two recommendations of the Office of State Auditor, the County can offer the following response:

- The Carteret County Department of Emergency Services and the Carteret County Fire and EMS Commission will ensure that all Fire and EMS agencies and related administrative officers of these agencies in Carteret County maintain supporting documentation for all transactions and maintain appropriate fiscal policies. The County will do this by ongoing correspondence and annual training and education for all emergency services agencies within the County. Each agency submits annual budgets to the County for the Fire and EMS Commission to review and the required fiscal policies will be an annual requirement to submit along with the budget requests. The contact for this recommendation will be the Carteret County Emergency Services Director.
- Carteret County initiated a criminal investigation by the Carteret County Sheriff's office, specifically conducted by Detective Joseph C. Bishop. The Carteret County Sheriff will be furnished a copy of your findings as a supplement to their investigation. Carteret County will seek reimbursement for any expenditures for which the former Chief cannot provide a valid business purpose or documentation. Carteret County will also seek any

criminal remedies that may be allowed for the same purpose. The contact for this recommendation will be the Carteret County Emergency Services Director.

Thank you for your time and efforts in this investigative matter to ensure that public funds are accounted for properly. The County takes this matter seriously and will use these findings to reinforce to all Fire and EMS agencies within the County to ensure the importance of proper documentation and of following best practices as identified by the United States Government Accountability Office (GAO).

Sincerely,



Jimmy Farrington

Chair, Carteret County Board of Commissioners



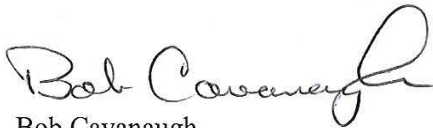
Mark Mansfield

Vice Chair, Carteret County Board of Commissioners



Ed Wheatly

Commissioner, Carteret County Board of Commissioners



Bob Cavanaugh

Commissioner, Carteret County Board of Commissioners



Chris Chadwick

Commissioner, Carteret County Board of Commissioners



Chuck Shinn

Commissioner, Carteret County Board of Commissioners



David Quinn

Commissioner, Carteret County Board of Commissioners



Tommy Burns

Carteret County Manager



Stephen Rea

Carteret County Emergency Services Director