



Investigative Report

State Auditor Dave Boliek
A Constitutional Office of the State of North Carolina

City of Elizabeth City
Elizabeth City, NC

November 3, 2025





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City of Elizabeth City

WHY WE CONDUCTED THIS REPORT

The North Carolina Office of the State Auditor (OSA) received an allegation via the State Auditor's Tipline regarding misuse of a procurement card (P-Card) by the former City Manager at the City of Elizabeth City (City). During the investigation, additional items not directly related to the allegation were discovered.

OBJECTIVES

- Determine whether the former City Manager misused his City-issued P-Card.
- Determine how much the City spent on food via P-Cards and check disbursements.

WHAT WE FOUND

The former City Manager used his P-Card to make 95 purchases totaling \$14,640 during the period November 2022 through October 2024.

The former City Manager purchased food which could be seen as excessive or an inappropriate use of taxpayer funds, including but not limited to:

- \$705 at Sugarcane Grill and Lounge
- \$505 at Waterman's Grill
- \$447 at Jersey Mikes
- \$318 at Sagos on the River
- \$231 at Colonial Cafe
- \$180 at Firehouse Subs
- \$147 at Toyama Japanese Restaurant
- \$137 at Toyama Japanese Restaurant
- \$133 at Bojangles

The former City Manager misused his P-Card by:

- Not obtaining evidence of supervisory review or approval on his purchasing card log.

- Exceeding the P-Card purchase limit of \$500.
- Not providing an itemized receipt to support the purchase.
- Purchasing a meal with his City-issued P-Card even though he had already been provided with a per diem which covered the meal.

City employees made 2,342 purchases on 72 unique P-Cards, totaling \$459,942, during the period January 2024 through October 2024. OSA reviewed 591 purchases totaling \$79,166. City employees, on several occasions, purchased food which could be seen as excessive or an inappropriate use of taxpayer funds, including but not limited to:

- \$338 at Electric Garden provided during a wellness program event.
- \$272 at IHOP for administrative assistant day breakfast.
- \$154 at In & Out Café for a finance meeting lunch.

City employees misused their P-Cards by not adhering to the Purchasing Manual and charging the purchase to incorrect or questionable budget accounts:

- 37 purchases, totaling \$4,045, did not contain an itemized receipt.
- 15 purchases, totaling \$13,418, exceeded the \$500 P-Card purchase limit.
- 7 monthly purchasing logs, totaling \$1,875, were not submitted by the employee.
- 3 monthly purchasing logs, totaling \$1,112, did not include a signature of a supervisor or department head, indicating that no one reviewed the purchases.

City employees purchased at least an additional \$7,253 in food via check disbursements from the City's accounting system.

Over the past several years, the City has had five different Finance Directors. As of September 2025, the City did not have a permanent Finance Director.

- The City has spent over half a million dollars on contractors to assist the City's Finance Department over the past two years.

RECOMMENDATIONS

City of Elizabeth City

- 1. City officials should review all P-Card transactions by the former City Manager and determine whether the transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.**
- 2. The City should update its Purchasing Manual to reflect its current P-Card processes, including, but not limited to, clear guidance on when and what food purchases are appropriate.**
- 3. City officials should ensure that all P-Card purchases adhere to the requirements set forth in the City's Purchasing Manual, including supervisory review and approval of purchases, adhering to the P-Card purchase limit, including itemized receipts with all purchases, and confirming whether purchases have been properly and previously reimbursed.**
- 4. City officials should review all P-Card transactions from January 1, 2024 to present and determine whether such transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.**
- 5. City officials should only issue P-Cards to those employees who need them to make purchases for their department.**
- 6. Prior to issuing P-Cards to City employees, City Leadership should ensure that all employees eligible to receive a P-Card undergo training on how and when to appropriately use their P-Card.**
- 7. City officials should ensure that P-Card purchases are charged to the appropriate budgetary account.**
- 8. The City should add curated budget account codes for department specific expenditures and events for better expenditure transparency and financial management.**
- 9. The City should update its Purchasing Manual to include clear guidance on when and what food purchases are appropriate.**
- 10. The City should hire a permanent, full-time Finance Director.**
- 11. The City should ensure that Finance Department staff are appropriately trained to reduce the reliance on bookkeeping and financial consultants.**



State Auditor
Dave Boliek

A Constitutional Office of the
State of North Carolina

Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

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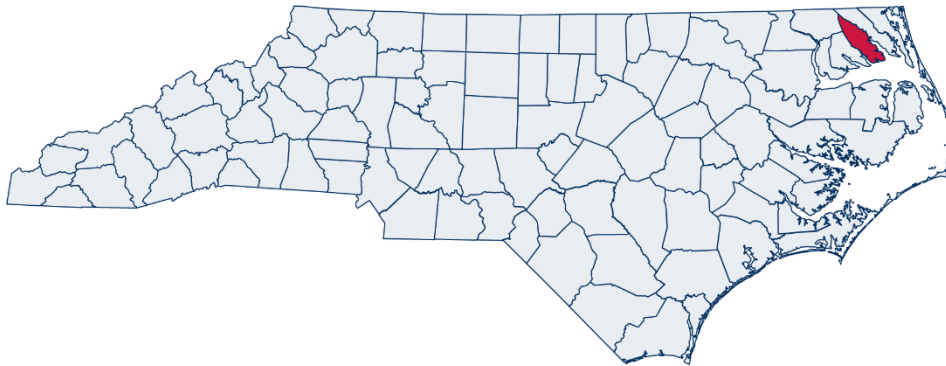
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Background

City of Elizabeth City

City of Elizabeth City

The City of Elizabeth City (the City) is located in Pasquotank County, North Carolina, and has a population of approximately 18,629 residents as of the 2020 census. The City is governed by a City Council (Council) consisting of a Mayor and eight other elected Council members. The City Manager is appointed by the Council and is the chief administrator of the City.



Food Purchases and Procurement Card Misuse by Former City Manager

Background

OSA received an allegation that the former City Manager misused his City-issued P-Card.¹

The former City Manager was employed by the City from January 2021 through September 2021, and then again from October 2022 through October 2024. He ceased working for the City on October 31, 2024.

During interviews with OSA, one Council member indicated that the former City Manager may have used his P-Card for unnecessary lunches, parties, and purchases of items that should have been in the City's warehouse. Another Council member indicated that the former City Manager would tell staff he was purchasing meals for them with his personal funds, when in fact the meals were purchased with his city-issued P-Card.

According to the City's Purchasing Manual, which was last revised in 2013, the City's goal is to receive maximum value for its citizen's tax dollars and to make purchases in the best interest of the City.

The Purchasing Manual includes the following requirements related to use of P-Cards:

- All transactions are to be recorded on a purchasing card log and supported by an itemized receipt.
- The cardholder's supervisor is to review the purchasing card log, confirm the items were received/services were performed, and sign the purchasing card log indicating that the cardholder was authorized to make the purchase.
- P-card purchases must be for the official use of the City, not for personal purchases.
- P-card purchases shall not exceed \$500.

Investigation Finding

Based on our review, OSA found the former City Manager purchased food which could be seen as excessive or an inappropriate use of taxpayer funds. Additionally, he misused his P-Card by not obtaining evidence of supervisory review or approval on his purchasing

¹ A procurement card is a credit card issued to employees by the City. According to the City's Purchasing Manual, it should be used for obtaining low cost goods and/or services, and it is used to increase productivity and cost savings for small dollar purchases providing more rapid turnaround and reducing paperwork and handling costs.

Food Purchases and Procurement Card Misuse by Former City Manager

card log, exceeding the P-Card purchase limit of \$500, not providing an itemized receipt to support the purchase, and purchasing a meal with his City-issued P-Card even though he had already been provided with a per diem which covered the meal.

The former City Manager used his P-Card to make 95 purchases totaling \$14,640 during the period November 2022 through October 2024. Of this amount, \$5,921 was spent on food, most of which was purchased for City staff.

Purchases of Food

The following are examples of food purchases the former City Manager made with his P-Card:²

- \$705 at Sugarcane Grill and Lounge for brunch for the American Defense Team.
- \$505 at Waterman's Grill for a team dinner.³

WATERMAN'S GRILL 427 S BROAD ST EDENTON, NC 27932 252-482-7733 CT1-2661290801		WATERMAN'S GRILL 427 SOUTH BROAD STREET DOWNTOWN EDENTON (252) 482-7733	
03/15/2024	6:52	SERVER: TABLE: 20 TICKET #: 293055 03/14/2024 17:55 GUESTS: 10	
Sale			
Trans #: 1 Batch #: 472			
CREDIT CARD VISA CHIP READ Entry Type: CONTACTLESS *****6306 **/** Server: 08			
SALE AMOUNT	\$422.98	STUFF FLOUNDER	32.99
DISC:	\$0.00	BAKED POTATO	2.99
		HOUSE SALAD	0.00
SUB TOTAL:	\$422.98	STUFF FLOUNDER	32.99
		CORN	2.99
TIP AMT:	\$82.00	HOUSE SALAD	0.00
TOTAL AMT: USD	\$504.98	STUFF FLOUNDER	32.99
		APPLESAUCE	0.00
		BAKED POTATO	0.00
		STUFF FLOUNDER	32.99
		BAKED POTATO	0.00
		COLESLAW	0.00
		CHICKEN SANDWICH	10.99
		FRENCH FRIES	2.99
		STUFF FLOUNDER	0.00
		BAKED POTATO	0.00
		STUFF FLOUNDER	32.99
		BAKED POTATO	0.00
		BROC NO CHRG	0.00
		STUFF FLOUNDER	32.99
		BAKED POTATO	0.00
		BROC NO CHRG	0.00
		STUFF FLOUNDER	32.99
		BAKED POTATO	0.00
		BROC NO CHRG	0.00
		STUFF FLOUNDER	32.99
		APPLESAUCE	0.00
		GREEN BEANS	0.00
		FLOUNDER	27.99
		FRIED	0.00
		CHEESE POTATO	20.99
		GREEN BEANS	0.00
		FISH TACOS	25.99
		TORTELLINI	0.00
		GREEN BEANS	3.50
		UNSWEET TEA	3.50
		UNSWEET TEA	3.50
		UNSWEET TEA	3.50
		UNSWEET TEA	3.50
		UNSWEET TEA	3.50
		UNSWEET TEA	3.50
		SUB TOTAL:	382.84
		SALES TAX:	25.84
		TOTAL:	408.68

Thank
you
so
much

² The summaries of each food purchase are based on the former City Manager's P-Card purchase log.

³ OSA could not determine why there was a difference between the itemized receipt total of \$408.68 and the amount of the credit card charge of \$422.98 (before tip).

- \$447 at Jersey Mikes for the Capital Budget Retreat.
- \$318⁴ at Sagos on the River for a finance team lunch for a successful audit. According to the receipt, there were 15 attendees.

Sagos on the River 400 S.W. 1st Street Suite 102 Elizabeth City, NC United States 27909 Tel: +1 252 655 7246 Printed October 3, 2024 at 5:45 PM	
REPRINT	
September 6, 2024 at 1:11 PM	Order # 00112
Table: 33, 15 guests	Waiter: .
Sales Tax 7% #:	
REPRINT	
Unsweet Tea	\$2.75
Pepsi	\$3.00
L - Farmers Bounty Salad	\$10.00
2 x L - Fried Catfish	\$28.00
L - Fried Shrimp Tacos	\$14.00
3 x Sweet Tea	\$8.25
L - Butcher Smash Burger	\$19.00
+ \$1.50: Add Hot Pepper Jelly	
+ \$1.50: Add Fried Egg	
L - Crab Cake Sandwich	\$17.00
L - Farmers Bounty Salad	\$27.00
+ \$10.00: Add Grilled Shrimp	
+ \$7.00: Add Grilled Chicken	
L - Grilled Chicken Ranch BLT	\$14.00
2 x L - Butcher Smash Burger	\$32.00
2 x L - Crab Cake Sandwich	\$34.00
Pig Pickin' Cake	\$9.00
Food Total	\$218.00
Sub Total	\$218.00
Sales Tax 7%	\$15.26
Total	\$233.26
Visa ****6306 (Auth# 089181)	\$318.39
Total Tips	\$85.13
Thank you for visiting SAGOS on the river. We appreciate your business.	
Tip Guide: 15%=\$34.99 18%=\$41.99 20%=\$46.65	

- \$231 at Colonial Cafe for an administrative assistant appreciation breakfast.
- \$180 at Firehouse Subs for Administrative Professionals Day.
- \$147 at Toyama Japanese Restaurant for a finance meeting.
- \$137 at Toyama Japanese Restaurant for a budget meeting lunch.

⁴ The City subsequently received a check for \$38.48 from the restaurant for a "Refund-Tip Error." Thus, the City actually incurred a cost of \$279.91 for this lunch.

- \$133 at Bojangles for the Capital Budget.



The City's Purchasing Manual does not explicitly prohibit the purchase of food for City employees; however, some of these food expenses, particularly those costing several hundred dollars, could be seen as excessive and an inappropriate use of taxpayer funds.

Not Adhering to the Purchasing Manual

Additionally, OSA identified several instances where the former City Manager violated the City's Purchasing Manual, as follows:

- \$10,619 in purchases on the City Manager's P-Card, which were incurred over a 15-month period, did not include evidence of supervisory review or approval.
- 9 purchases totaling \$7,066 exceeded the P-Card purchase limit of \$500.
- 14 purchases were not supported by an itemized receipt. In total, these purchases were \$1,271.

- 1 purchase, totaling \$22.26, made with his City-issued P-Card. Specifically, the former City Manager was provided with meal per diems prior to travel to Wilmington but charged an additional \$22.26 to his P-Card for dinner at Beer Barrio during the travel.⁵

It is concerning that the former City Manager did not adhere to the City's Purchasing Manual. According to the Association of Certified Fraud Examiners (ACFE), the "tone at the top" of an organization's leadership is crucial for effective internal controls and fraud prevention. The ACFE defines "tone at the top" as the ethical atmosphere created by an organization's leadership, including senior management, and encompasses their actions, attitudes, and priorities regarding ethics, compliance, and integrity.

The actions of the former City Manager created an atmosphere where the purchase of food for staff and lack of adherence to the Purchasing Manual were acceptable and put the City at an increased risk of fraud.

We Recommend the Following:

1. **City officials should review all P-Card transactions by the former City Manager and determine whether the transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.**
2. **The City should update its Purchasing Manual to reflect its current P-Card processes, including, but not limited to, clear guidance on when and what food purchases are appropriate.**
3. **City officials should ensure that all P-Card purchases adhere to the requirements set forth in the City's Purchasing Manual, including supervisory review and approval of purchases, adhering to the P-Card purchase limit, including itemized receipts with all purchases, and confirming whether purchases have been properly and previously reimbursed.**

⁵ According to the receipt, the purchase included three tacos; no alcohol was purchased.

Food Purchases and Procurement Card Misuse by City Employees

Background

Based on our findings related to the former City Manager's use of his P-Card, OSA reviewed additional P-Card purchases made by City employees.

We reviewed select P-Card purchases made between January 1, 2024 and October 31, 2024 (which includes the period of time that the former City Manager served as the City Manager). During this period, there were 2,342 purchases made on 72 unique P-cards, totaling \$459,942.⁶

2,342 purchases
made on **72**
unique P-cards,
totaling
\$459,942

When asked why so many employees had P-Cards, the City's Purchasing Manager stated that it was considered a "status symbol" for an employee to have a P-Card. Our review found that a wide variety of employees – from the City Manager to a Human Resources Generalist – had P-Cards.

OSA reviewed any purchases that appeared to be food related; purchases from businesses that sell food items, such as grocery stores, big box stores, gas stations, and convenience stores; and purchases from Amazon. In total, OSA reviewed 591 purchases, totaling \$79,166,⁷ to determine the following:

- Whether there was a purchase log to support each month's P-Card purchases and whether the purchase log was signed by the employee's supervisor and department head.
- Whether there was an itemized receipt to support each P-Card purchase.
- Whether any P-Card purchase appeared to be for personal purposes.
- The purpose for the purchase of any food items.
- What budgetary account number the purchase was charged to.
- Whether the purchase exceeded the \$500 limit for a P-Card purchase.

Summary of Findings

Based on our review, we found that City employees, on several occasions, purchased food which could be seen as excessive or an inappropriate use of taxpayer funds. Additionally, we found they misused their P-Cards by not adhering to the Purchasing Manual and charging the purchase to incorrect or questionable budget accounts.

⁶ This does not include purchases made by the former City Manager.

⁷ This does not include purchases made by the former City Manager as discussed in the previous section.

Purchases of Food

During our investigation, OSA found that City employees purchased at least \$12,991 in food during the review period. The following are examples of food purchases made by City employees with their P-Cards:⁸

- \$415 for 45 Chick-fil-A chicken sandwich meals, which were provided as a meal during the Fire Department's live burn training.
- \$338 at Electric Garden provided during a wellness program event. According to the receipt, the purchase included 25 smoothies at \$10.99 each and a \$44 tip (approximately 16%).

Electric Garden LLC
 608 E Fearing St January 24, 2024
 Elizabeth City, NC 4:03 PM
 27909
 (252) 379-6947
 www.electricgarden.net

Receipt: LvRQ
 Authorization: 008226

VISA CREDIT
 AID AD 00 00 00 03 10 10

16oz Pura Vida x 15 (\$10.99 each)	\$164.85
16oz Hydrogenerator x 5 (\$10.99 each)	\$54.95
16oz Sweet Heart x 2 (\$10.99 each)	\$21.98
16oz Virtue	\$10.99
16oz Mamas Blessing x 2 (\$10.99 each)	\$21.98
Subtotal	\$274.75
Sales Tax (7%)	\$19.23
Tip	\$44.10
Total	\$338.08
Visa 7467 (Contactless)	\$338.08

- \$272 at IHOP for administrative assistant day breakfast. According to the receipt, this was a dine-in meal for 13 attendees with a subtotal of \$227 (approximately \$17 per person) plus a \$45 tip (approximately 20%). When asked about the purchase, the employee who made the purchase stated the former City Manager directed her to take the administrative assistants out for breakfast.

⁸ The summaries of each food purchase are based on the P-Card purchase log.

Food Purchases and Procurement Card Misuse by City Employees

- \$154 at In & Out Café for a finance meeting lunch. According to the receipt, approximately 12 meals were ordered.

Take Out- CALL IN	
Server:	
Check #13	
Ordered:	1/24/24 11:17 AM
1 Pittsburgh Steak Salad	\$13.00
Thousand Island Dressing	
5% OFF SALADS- CAFE (5.00%)	- \$0.65
1 Pittsburgh Steak Salad	\$13.00
Ranch Dressing	
No Onions	
No Hard Boiled Egg	
Fries On Side	
5% OFF SALADS- CAFE (5.00%)	- \$0.65
1 Chef Salad	\$10.50
Ranch Dressing	
5% OFF SALADS- CAFE (5.00%)	- \$0.52
1 Pittsburgh Steak Salad	\$13.00
Italian Dressing	
No Tomato	
No Onions	
Fries On Side	
5% OFF SALADS- CAFE (5.00%)	- \$0.65
2 Chicken Salad	\$18.00
Ranch Dressing	
*Chicken Salad On Side	
5% OFF SALADS- CAFE (5.00%)	- \$0.90
2 Chicken Salad	\$18.00
Italian Dressing	
Chicken Salad On Side	
5% OFF SALADS- CAFE (5.00%)	- \$0.90
1 Smokin' Turkey	\$11.00
2 Pittsburgh Steak Salad	\$26.00
Ranch Dressing	
No Tomato	
*Fries On Side	
5% OFF SALADS- CAFE (5.00%)	- \$1.30
1 In & Out Club	\$17.50
Make It A Sub- 12" Hoagie Roll	\$3.00
2 Pepsi	\$3.00
1 Fresh-Brewed Tea	\$1.00
Unsweet	
2 Hand Pies	\$8.00
One Glazed, One Sugared	
Pre-discount Subtotal	\$149.50
Discount Total	- \$5.57
Subtotal	\$143.93
Tax	\$10.07
Tip	\$0.15
Total	\$154.15

The City's Purchasing Manual does not explicitly prohibit the purchase of food for City employees; however, some of these food expenses, particularly those costing several hundred dollars, could be seen as excessive and an inappropriate use of taxpayer funds.

Not Adhering to the Purchasing Manual

OSA found that City employees did not adhere to the City's Purchasing Manual when making P-Card purchases.

The Purchasing Manual includes the following requirements related to use of P-Cards:

- All transactions are to be recorded on a purchasing card log and supported by an itemized receipt.

- The cardholder's supervisor is to review the monthly purchasing card log, confirm the items were received/services were performed, and sign the purchasing card log indicating that the cardholder was authorized to make the purchase.
- P-Card purchases must be for the official use of the City, not for personal use.
- P-card purchases shall not exceed \$500.

Of the 591 purchases reviewed, totaling \$79,166, OSA found the following:

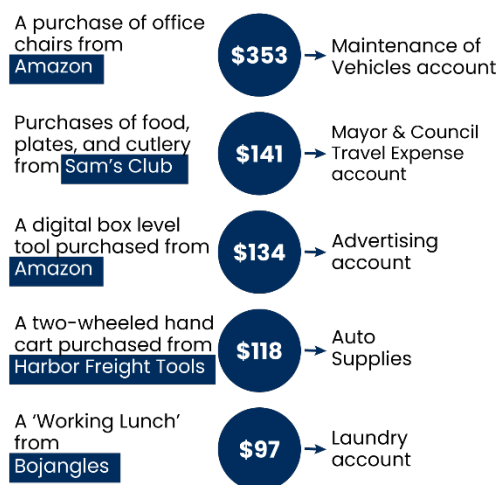
- 37 purchases, totaling \$4,045, did not contain an itemized receipt.
- 15 purchases, totaling \$13,418, exceeded the \$500 P-Card purchase limit.
- 7 monthly purchasing logs, totaling \$1,875, were not submitted by the employee.
- 3 monthly purchasing logs, totaling \$1,112, did not include a signature of a supervisor or department head, indicating that no one reviewed the purchases.

Expenses Charged to Incorrect or Questionable Budget Accounts

When completing the purchasing card log, the cardholder is supposed to indicate the budgetary account that the purchase should be charged to. This information is used by the City's Finance Department to code the expense and charge it to the appropriate account, which reduces the amount of funding available to that department. Correctly coding the expense is an integral part of financial management because it provides accurate information to decisionmakers, including the Council.

While reviewing the P-Card purchases, OSA found instances of purchases being charged to an incorrect or questionable budget account. For example:

Purchases charged to an incorrect or questionable budget account



- A purchase of office chairs from Amazon, totaling \$353, was charged to the Maintenance of Vehicles account.
- Purchases of food, plates, and cutlery from Sam's Club, totaling \$141, were charged to the Mayor & Council Travel Expense account.
- A digital box level tool purchased from Amazon for \$134 was charged to the Advertising account.
- A two-wheeled hand cart purchased from Harbor Freight Tools for \$118 was charged to the Auto Supplies account.
- A 'Working Lunch' from Bojangles, totaling \$97, was charged to the Laundry account.

In reviewing the City's list of budget account codes, OSA found that the City does not have any codes related to food or special events.

We Recommend the Following:

- 4. City officials should review all P-Card transactions from January 1, 2024 to present and determine whether such transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.**
- 5. City officials should only issue P-Cards to those employees who need them to make purchases for their department.**
- 6. Prior to issuing P-Cards to City employees, City Leadership should ensure that all employees eligible to receive a P-Card undergo training on how and when to appropriately use their P-Card.**
- 7. City officials should ensure that P-Card purchases are charged to the appropriate budgetary account.**
- 8. The City should add curated budget account codes for department specific expenditures and events for better expenditure transparency and financial management.**

Check Disbursements

Additional Food Purchases

Investigation Finding

Based on the amount of food purchases made with P-Cards by the former City Manager and City employees, OSA reviewed the City's check register for the period January 1, 2024 through October 31, 2024 to determine if there were additional food purchases made via check disbursements from the City's accounting system.

OSA found that during this period, City employees purchased **at least an additional \$7,253 in food via check disbursements** from the City's accounting system.

For example:

- \$1,730 at Wings-N-Thangs Concessions for Public Power Week⁹ food.
 - **During the course of Public Power Week, the City spent at least \$3,667 on food**, including a \$1,730 check disbursement to Wings-N-Thangs and \$1,937 spent on P-Cards at vendors such as Elizabeth City Pizza, Chick-fil-A, and Electric Garden.

Additionally, during the same week, the City spent \$640 at Topside Catering, which included 50 meals at \$11.99 each for an all-staff meeting.

⁹ Elizabeth City celebrated Public Power Week from October 6th to 12th, 2024.

Check Disbursements

WINGS-N-THANGS CONCESSIONS & MORE LLC

110 JENNIFER DRIVE
ELIZABETH CITY NC 27909



Bill To **Invoice Date** 10/01/2024
CITY OF ELIZABETH CITY
[REDACTED]
EMPLOYEE APPRECIATION
OCTOBER 11th PARKIN
FRONT OF THE SENIOR
CENTER

Qty	Description	Unit Price	Amount
30	FLAVOR WINGS & FRIES	10.00	300.00
30	CHICKEN TENDERS & FRIES	10.00	300.00
30	FISH & FRIES	9.00	270.00
30	SHRIMP & FRIES	12.00	360.00
1	SERVICE FEE	300.00	300.00
Total			\$1,530.00

WINGS-N-THANGS CONCESSIONS & MORE LLC

110 JENNIFER DRIVE
ELIZABETH CITY NC 27909



Bill To **Invoice Date** 10/14/2024
CITY OF ELIZABETH CITY
[REDACTED]
EMPLOYEE APPRECIATION
OCTOBER 11th PARK IN
FRONT OF THE SENIOR
CENTER

Qty	Description	Unit Price	Amount
20	FLAVOR WINGS & FRIES	10.00	200.00
Total			\$200.00

Guest Check

TABLE: [] GUESTS: [] SERVER: 2860-49

50.00

Chie - 90 pieces

11.45

11.99 x 50

EC Parks Rec

Tax

310.00

39.97

310.00

Guest Receipt

TABLE: [] GUESTS: [] SERVER: 2860-49

Receipt for Income Tax or Expense

- \$1,690 at Leon Nixon Catering. It is unclear what this purchase was for as the City did not provide OSA with any documentation, such as an invoice or check request, which would indicate the reason for the purchase.
- \$1,650 at Spivey Food Enterprises for a private food truck lunch service which included 100 meals for employee appreciation.

The City's Purchasing Manual does not explicitly prohibit the purchase of food for City employees; however, some of these food expenses, particularly those costing thousands of dollars in the span of one week, could be seen as excessive and an inappropriate use of taxpayer funds.

We Recommend the Following:

9. The City should update its Purchasing Manual to include clear guidance on when and what food purchases are appropriate.

City Finance Department

Turnover in the Finance Director Position

Investigation Finding

According to the City's website, the Finance Department manages all of the City's funds, maintains an accounting and reporting system in accordance with generally accepted accounting principles, performs the City's daily accounting operations, prepares and monitors the budget, administers the investment and debt portfolios, and prepares the City's Annual Comprehensive Financial Report.¹⁰

Over the past several years, the City has experienced a lot of turnover in the Finance Director position. Specifically, the City has had five different finance directors since August 2022, as follows:

- August 2022 to July 2024 – Former Finance Director #1, who is currently with the City in another position.
- July 2024 to October 2024 – Former Finance Director #2, who was the former City Manager discussed earlier in this report.
- October 2024 to February 2025 – Former Finance Director #3, who is the current City Manager.
- February 2025 to April 2025 – Former Finance Director #4, who is no longer employed by the City.
- April 2025 to present (as of September 2025)¹¹ – Interim Finance Director #5.

As of September 2025, **the City did not have a permanent Finance Director.**

Additionally, **the City has spent over half a million dollars on contractors to assist the City's Finance Department over the past two years**, as follows:

- Fiscal Year 2023-24 – \$407,420 on a bookkeeping firm and a financial consultant.
- Fiscal Year 2024-25 – \$325,726¹² on a bookkeeping firm and a financial consultant.

For the current fiscal year, 2025-26, the City budgeted \$238,000 for contractors to assist the Finance Department in addition to the \$586,428 budgeted for regular salaries in the Finance Department.

¹⁰ <https://elizabethcitync.gov/finance>.

¹¹ OSA's investigative team completed their fieldwork in September 2025.

¹² As of September 2025, the City had not closed their books for fiscal year 2024-25, and therefore this amount is subject to change.

We Recommend the Following:

- 10. The City should hire a permanent, full-time Finance Director.**
- 11. The City should ensure that Finance Department staff are appropriately trained to reduce the reliance on bookkeeping and financial consultants.**

This report contains a response from Elizabeth City (City) officials concerning the findings, conclusions, and recommendations in the investigative report. The North Carolina Office of State Auditor (OSA) is encouraged that the City agrees with most of the recommendations made and commends the City for actions it has taken thus far.

Our report presents factual information regarding the purchasing practices in the City. Nowhere in the City's response did the City challenge the accuracy of the report's findings or the fairness in which the findings were presented. Although the City asked OSA to remove certain items, we uphold the findings, conclusions, and recommendations in the report. The City Council (Council) and the citizens of Elizabeth City (Citizens) deserve to know how officials spent tax dollars.

While the City states "it is not uncommon for entities to pay for gatherings that are work-related such as team dinners, working lunches, employee appreciation days, meetings, retreats, etc., if considered reasonable and appropriate," OSA believes many of the food expenses could be seen as excessive and represent an inappropriate use of tax dollars.

Because the City's Purchasing Manual did not clearly define when food purchases were appropriate, OSA reported those purchases and the amounts spent. OSA maintains its recommendation that City officials review the purchases listed in the report to determine appropriateness, and that City officials update the Purchasing Manual to provide clear guidance on when and what food purchases are appropriate.

Ultimately, the Council and the citizens must decide how to spend tax dollars, particularly via the yearly budget process. To promote and emphasize transparency in using public funds, OSA included a recommendation that the City add or create curated budget account codes for department-specific expenditures and events. This will allow the Council to allocate funds for events it considers reasonable and appropriate. City officials must also ensure that P-Card purchases align with the correct budgetary code so that they follow the Council-approved budget.

MAYOR
EDWARD KIRK RIVERS
MAYOR PRO-TEM
KEM K. SPENCE
CITY MANAGER
REGINALD GOODSON
CITY CLERK
APRIL ONLEY



CITY COUNCIL MEMBERS
JOHNSON BIGGS
KATHERINE W. FELTON
FREDERICK D. GIBBS (JAVIS)
RONNIE MORRIS
JOSEPH W. PEEL
JOHNNIE B. WALTON
ROSE M. WHITEHURST

CITY OF ELIZABETH CITY

Office of the State Auditor
Attn: State Auditor
20601 Mail Service Center
Raleigh NC 27699

October 14, 2025

Dear State Auditor,

Below are City management's responses to the audit conducted by the Office of the State Auditor (OSA). The responses include comments, additional information and corrective actions taken and planned as well as specifying the individuals or positions responsible for planned recommendation and the period for completion.

Regarding an exit conference, I would like to schedule an exit conference after the audit is finalized. Attached are dates and times that City staff and I are available. Please let us know an acceptable date and time for the exit conference.

Procurement Card Misuse by Former City Manager:

Based on the findings, the OSA recommends the following:

- 1. City officials should review all P-Card transactions by the former City Manager and determine whether the transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.**

Management's Response:

To address some of the specific bullets regarding food purchases on pages 3 - 5 of the report:

- \$705 at Sugarcane Grill and Lounge for brunch for the American Defense Team.

The American Defense Team is a team outside of the organization. It is not uncommon for an entity hosting an organization, other entity, etc. outside of the organization to provide food and beverages. Previous City Managers also provided food when hosting outside organizations. As such, it is the City's opinion that this example bullet should be removed before the audit is finalized.

- \$505 at Waterman's Grill for a team dinner.
- \$147 at Toyama Japanese Restaurant for a finance meeting.
- \$137 at Toyama Japanese Restaurant for a budget meeting lunch.
- \$133 at Bojangles for the Capital Budget Retreat.
- \$447 at Jersey Mikes for the Capital Budget Retreat.

Note: In researching the Waterman's Grill receipt, City staff could not determine why there was a difference between the itemized receipt total of \$408.68 and the amount of the credit card charge of \$422.98 (before tip), an amount of \$14.30.

It is not uncommon for entities to pay for gatherings that are work-related such as team dinners, working lunches, employee appreciation days, meetings, retreats, etc., if considered reasonable and appropriate.

In regards to the Capital Budget Retreat, it was a mandatory all-day retreat for Department Directors, City Manager, Financial Consultant, and other essential Elizabeth City staff, as well as the Mayor and Councilors who wished to attend (e.g., several Council members did attend as well as the Mayor), for the purpose of educating staff regarding a multi-year CIP for the City and how to move forward with gathering essential information for much needed capital projects for each department and what was needed for submission from each department. The food was provided for all mandated attendees (e.g., both for breakfast (Bojangles) & lunch (Jersey Mikes) and for Council members and the Mayor if they decided to attend.

The City needed an updated CIP to address critical capital improvements and establish a financing plan for these projects. It is also not uncommon for entities to have retreats (e.g., CIP, Budget, etc.) and to provide breakfast and lunch as well as snack food for breaks.

Regarding the above bullets, it is City management's opinion that these example bullets should be removed before the audit is finalized.

Regarding the purchases:

- Nine (9) purchases totaling \$7,066 exceeded the P-Card purchase limit of \$500.

The previous City Manager had a P-Card purchase limit of \$10,000 as of March 2024 by the P-Card Administrator as directed by the Finance Director at that time. The directive was given in an email dated March 13, 2024. Prior to March 13, 2024, the former City Manager's limit was \$5,000. Management has not been able to determine when the limit was increased to \$5,000. However, both limits were above the \$500 limit for all other employees. The limit remained at \$10K from that point forward for the former City Manager until his departure (current City staff are not sure if previous City Managers have had a higher limit than \$500). The current City Manager also has a limit of \$10K. Upon review, it was determined that the P-Card Policy has not been revised to reflect the updated or increased limit for the City Manager's position. This will be addressed in reviewing and updating the policy to include the recommendations in this audit. It is not uncommon for higher level positions to have a higher limit in case of emergency situations such as disasters (e.g., hurricanes, flooding, cyber-attacks, etc.) when access to normal processes are not as accessible.

P-Card holders must provide justification to the Finance Director or the City Manager and receive approval before a temporary increase to a daily transaction limit or a monthly limit. Upon receipt of the approval granted, the P-Card Administrator will increase the limit accordingly. The transaction will not go through without the review and approval and the temporary increase to the employee's limit occurs. Once the transaction is completed, the P-Card Administrator then resets the cardholder's limit. It was also an oversight by the City that the existing policy was not edited to include this process. It is included in the revised P-Card Policy, which was approved by Council on September 8, 2025. It will also be included when the City revisits the existing policy to include recommendations in this audit.

Because of the City Manager's position having a higher limit of over \$500 as well as any purchase over the limit would have required approval and a temporary increase by the P-Card Administrator, City management believe that the nine (9) purchases totaling \$7,066 should be revisited before finalizing the audit.

As part of the corrective action plan, the City Manager will include a memo to all department heads that when revisions are made to existing policies and procedures that are specific to their departments that they ensure that the revisions are included in updated policies and procedures, and that department heads will be held accountable when that does not occur. The effective date for this memo will be immediately, October 2025.

Regarding the review of all P-Card transactions by the former City Manager and determining whether the transactions were for official City purposes recoupment of any amounts that are found to be personal purchases, including, where applicable, food for staff:

After the extensive review and audit performed by the OSA, City management believes that it would not be cost-beneficial to review all p-card transactions by the former City Manager to determine whether the transactions were for official City purposes. Based on the findings of the audit performed by the OSA provided in this report:

- There were no personal purchases noted in the findings.
- Included in the audit report is the notation that the "City's Purchasing Manual does not explicitly prohibit the purchase of food for City employees" – Therefore, how can the City expect to recoup expenses that were not prohibited per policy but were allowable even though some may seem excessive?
- The amount of time that would be spent for City staff to again go through what has already been an extensive review by the OSA would more than likely cost more taxpayer dollars than what would or may be determined to attempt to recoup with no guarantee of recoupment.
- Attempting to recoup funds for a small amount such as \$22.26 for what appears to have been provided through an advance for per diem and also the meal being charged to the P-Card from a former employee is unlikely to be recouped and will cost more of the taxpayer's dollars than the \$22.26 should the former employee remit.

Also, since adopting P-cards and the City's P-Card Policy (located in a section in the City's Purchasing Manual), Elizabeth City reviews 100% of all monthly activity. The review is conducted, both in the past and currently, by an Accounting Technician within the Finance Department. However, in reviewing the City's existing processes, the City is now assigning this task of review and accounting for all P-Card activity to a higher-level position within the Finance Department. It is our opinion that a higher-level review with a stronger knowledge base of the City's chart of accounts to include all expenditure general ledger (g/l) accounts and of the City's policies and procedures (including the P-Card Policy) that the review of all of the monthly P-Card activity being charged by employees and completed logs regarding the accounting for this activity will be more efficient and thorough. In addition, any findings based on the 100% monthly reviews will be followed up with the department's P-Card holder, their supervisor, and the department head as well as the P-Card Administrator (e.g., who also serves as the City's Purchasing Manager) and the Finance Director. If it is determined that there has been any misuse and/or abuse, the P-Card Administrator and/or the Finance Director will inform the City Manager and next steps will be followed as appropriate based on the severity of the misuse and/or abuse.

Staff have also been informed by the current City Manager that no position within the City that has a P-Card is exempt/excused from following the P-Card Policy including the City Manager position.

City management agrees to amendments to its current policy to enhance internal controls, checks and balances based on the recommendations from the results of this audit (that could include terminology and more explicit and specific language regarding what is allowable, amounts not to exceed, etc. when purchasing food). It is City management's plan to revisit the P-Card Policy and update the policy accordingly in Fiscal Year 2026. Key staff including the City Manager, Chief of Staff, Finance Director and Purchasing Manager will be the positions that will revisit this policy.

2. The City should update its Purchasing Manual to reflect its current P-Card processes, including, but not limited to, clear guidance on when and what food purchases are appropriate.

On July 8, 2024, City Council froze all P-Cards, with the exception of those held by department heads, while further research and analysis were conducted regarding the quantity of cards issued and associated spending patterns.

Before the results of this audit were provided, the City was proactive and revised the P-Card Policy in the Purchasing Manual in an attempt to strengthen the policy which included looking at reducing the number of cards issued City-wide. The revised policy was adopted by Council on September 8, 2025.

City management is in agreement to amendments to its current policy to enhance internal controls, checks, and balances based on the recommendations from the results of this audit that could include terminology and more explicit and specific language regarding what is allowable, amounts not to exceed, what food purchases are appropriate, etc. when purchasing food. It is City management's plan to revisit the P-Card Policy and update the policy accordingly in Fiscal Year (FY) 2026. Key staff including the City Manager, Chief of Staff, Finance Director and Purchasing Manager will be the positions that will revisit this policy.

3. City officials should ensure that all P-Card purchases adhere to the requirements set forth in the City's Purchasing Manual, including supervisory review and approval of purchases, adhering to the P-Card purchase limit, including itemized receipts with all purchases, and confirming whether purchases have been properly and previously reimbursed.

To reiterate what was included in the first recommendation above, since adopting P-cards and the City's P-Card Policy (located as a section in the City's Purchasing Manual), Elizabeth City reviews 100% of all monthly activity. In the past, this review was conducted by an Accounting Technician in the Finance Department. However, in reviewing the City's existing processes, the City is now assigning this task of review and accounting for all P-Card activity to a higher-level position within the Finance Department. It is our opinion that a higher-level review with a stronger knowledge base of the City's chart of accounts to include all expenditure general ledger (g/l) accounts and of the City's policies and procedures, including the P-Card Policy, that the review of all of the monthly P-Card activity being charged by employees and completed logs regarding the accounting for this activity will be more efficient and thorough. In addition, any findings based on the 100% monthly reviews will be followed up with the department's P-Card holder, their supervisor, and the department head as well as the P-Card Administrator (e.g., who also serves as the City's Purchasing Manager) and the Finance Director. If it is determined that there has been any misuse and/or abuse. The P-Card Administrator and/or the Finance Director will inform the City Manager and

next steps will be followed as appropriate based on the severity of the misuse and/or abuse.

The review will include that all P-Card purchases adhere to the requirements set forth in the City's P-Card Policy in the City's Purchasing Manual including supervisory review and approval of purchases and department head review and approval of purchases to ensure that the purchases are allowable per policy and accounted for appropriately. In addition, the review will include the review of all P-Card Logs and supporting information ties to the P-Card Log Summary provided by the cardholder. It will also ensure that the supporting documentation includes the itemized receipts for all purchases and that the current P-Card Policy is being followed. Any issues and non-compliance of the existing policy will be notified to the employee, supervisor, department head, and the Finance Director by the P-Card Administrator. If it is found that the non-compliance is severe (e.g., misuse, abuse, personal use, etc.), the City Manager will then be notified. Actions taken will be determined and carried out based on the severity of the non-compliance.

Staff have also been informed by the current City Manager that no position within the City that has a P-Card is exempt/excused from following the P-Card Policy including the City Manager position.

Procurement Card Misuse by City Employees:

Based on the findings, the OSA recommends the following:

Management's Response:

To address some of the specific bullets on pages 9 – 10 of the report:

Excessive Purchases of Food:

- \$415 for 45 Chick-fil-A chicken sandwich meals, which were provided as a meal during the Fire Department's live burn training.

As far back as any of the existing City staff have been employed and can recall, the City has provided meals for training events that typically take up the full day or most of the day and that includes the training going through lunch and/or dinner. This event was a fire training event for the City's Fire Department staff. These training events usually involve having several EMS personnel present, so they can respond if a staff member is injured or experiences heat exhaustion during training that needs immediate attention.

The provision of food for this type of training event is a normal occurrence for governmental entities. There would have been approximately 35 firefighters, three (3) Fire inspectors, the Fire Chief, the Assistant Fire Chief, and several EMS staff for a total of 45 personnel. Providing food at this event was a total of \$415 for 45 meals, which equates to \$9.22/meal.

City management's opinion is that this is an allowable and justifiable purchase of food that also is not excessive and that this bullet and amount should be removed before finalizing the audit.

- \$338 at Electric Garden provided during a wellness program event. According to the receipt, the purchase included 25 smoothies at \$10.99 each and a \$44 tip (approximately 16%). When asked about the purchase, the employee stated this was for the City's Wellness Program and that the City's health insurance provider had reimbursed them for this purchase; however, upon review of documentation provided by the health insurance provider, OSA found the City was not reimbursed for this expense.

The employee failed to turn the receipt into the Chief of Staff to be included with other receipts from this wellness program event which were reimbursed by the provider. Therefore, the receipt should have been reimbursed but was not. Government entities actively promote wellness and often incorporate food-related offerings as part of these initiatives. This event was for City employees, and City management is of the opinion that \$338 for the provision of food for a wellness program that is for the benefit of all City employees is not excessive.

City management believes that this food purchase is permissible, reasonable, and not excessive, regardless of whether it is reimbursed by the City's health insurance provider or not and believes this item should be removed before finalizing the audit. These funds when paid were expended against a budgetary account specific for the City's wellness program. The budget in this expenditure account is approved by Council when the City's budget is approved.

- \$154 at In & Out Café for a finance meeting lunch. According to the receipt, approximately 12 meals were ordered.

It is not uncommon for entities to pay for gatherings that are work-related such as team dinners, working lunches, employee appreciation days, meetings, retreats, etc., if considered reasonable and appropriate.

It has been the City's process in the past when requiring employees to attend meetings when working through lunch or late through dinner, to provide food/meals. In addition, 12 meals for a total of \$154 equates to \$12.83/meal, which City management does not believe to be excessive for this finance lunch meeting.

City management believes that this food purchase is permissible, reasonable, and not excessive and believes this item should be removed before finalizing the audit.

4. City officials should review all P-Card transactions from January 1, 2024 to present and determine whether such transactions were for official City purposes. The City should recoup any amounts that are found to be personal purchases, including, where applicable, food for staff.

After the extensive review and audit performed by the OSA, City management believes that it would not be cost-beneficial to review all p-card transactions by all City employee P-Card holders from January 1, 2024 to present to determine whether the transactions were for official City purposes. Based on the findings of the audit performed by the OSA:

- There were no personal purchases noted in the findings.
- Included in the audit report is the notation that the "City's Purchasing Manual does not explicitly prohibit the purchase of food for City employees" – Therefore, how can the City expect to recoup expenses that were not prohibited per policy but were allowable even though some may seem excessive.
- The amount of time that would be spent for City staff to again go through what has already been an extensive review would cost more taxpayer dollars than what would or may be determined to attempt to recoup with no guarantee of recoupment.

Also, since adopting P-cards and the City's P-Card Policy (located as a section in the City's Purchasing Manual), Elizabeth City reviews 100% or all monthly activity. The review has historically been performed by an Accounting

Technician in the Finance Department. However, in reviewing the City's existing processes, the City is now assigning this task of review and accounting for all P-Card activity to a higher-level position within the Finance Department. It is our opinion that a higher-level review with a stronger knowledge base of the City's chart of accounts to include all expenditure general ledger (g/l) accounts and of the City's policies and procedures (including the P-Card Policy) that the review of all of the monthly P-Card activity being charged by employees and completed logs regarding the accounting for this activity will be more efficient and thorough. In addition, any findings based on the 100% monthly reviews will be followed up with the department's P-Card holder, their supervisor, and the department head as well as the P-Card Administrator (e.g., who also serves as the City's Purchasing Manager) and the Finance Director. If it is determined that there has been any misuse and/or abuse. The P-Card Administrator and/or the Finance Director will inform the City Manager and next steps will be followed as appropriate based on the severity of the misuse and/or abuse.

Staff have also been informed by the current City Manager that no position within the City that has a P-Card is exempt/excused from following the P-Card Policy including the City Manager position.

City management agrees to amendments to its current policy to enhance internal controls, checks, and balances based on the recommendations from the results of this audit (that could include terminology and more explicit and specific language regarding what is allowable, amounts not to exceed, what food purchases are appropriate, etc. when purchasing food). It is City management's plan is to revisit the P-Card Policy and update the policy accordingly in Fiscal Year (FY) 2026. Key staff including the City Manager, Chief of Staff, Finance Director and Purchasing Manager will be the positions that will revisit this policy.

5. City officials should only issue P-Cards to those employees who need them to make purchases for their department.

Since at least FY23, it has been the Purchasing Manager's opinion that the City has had too many P-Cards issued to employees. As of July 8, 2024, Council froze all P-Cards except for the department heads' cards pending further research and analysis of the number of cards issued, spending trends, etc. Before the results of this audit were provided, the City was proactive and revised the P-Card Policy in the Purchasing Manual to strengthen the policy.

After the freezing of all P-Cards except for department heads and the analysis of P-Cards was performed by the current Interim Finance Director and the Purchasing Manager, which was conducted during the time of this audit, there were 72 cards issued. As of the date of this response, October 14, 2025, the number of cards issued has been reduced to 38, a reduction of over 47%.

In addition, the current process is that if a department head requests that a P-Card be issued to an employee there is a form that must be submitted with justification for the need that this employee should have a P-Card and submitted to the City Manager. The City Manager reviews the request and justification and either approves the issuance of a P-Card to the employee or denies if it is decided that the justification did not warrant the issuance of a P-Card. If approved, the City Manager notifies both the Finance Director and the P-Card Administrator.

City management is in agreement with this recommendation and will again revisit the process and number of P-Cards issued in the policy when the policy is again reviewed to include the recommendations resulting from this audit.

6. Prior to issuing P-Cards to City employees, City Leadership should ensure that all employees eligible to receive a P-Card undergo training on how and when to appropriately use their P-Card.

Training has been provided in the past for an employee when they receive a P-Card. The employee also must sign a form agreeing to the City's policies and procedures (e.g., terms) regarding P-Cards.

Recently, the City's Finance Department conducted training for all departments for all Finance functions, processes and procedures including P-Cards to ensure that all City employees that perform financial functions are educated regarding the City's financial activities (e.g., deposits, accounts payable, purchasing, P-Cards, etc.).

Effective the second quarter of FY2026, the Finance Department will hold quarterly training courses for new staff and as refreshers for current employees. However, upon approval of the issuance of a P-Card to an employee, one-on-one training with the P-Card Administrator will occur, and the employee must sign the agreement to adhere/comply to the terms of the

P-Card Policy as outlined in the Purchasing Manual prior to receiving their P-Card. This is already in effect.

7. City officials should ensure that P-Card purchases are charged to the appropriate budgetary account.

The Finance Department has always tried to educate departmental employees regarding the posting of financial transactions to the appropriate expenditure/expense/object account within the general ledger (g/l) in their department. Finance has also stressed the importance of doing so. In addition, Finance covers this in training regarding the department's budgetary accounting and monitoring of their department's budget and actuals throughout each fiscal year.

In addition, the City has always performed a 100% review of all P-Card activity. Included in this review is ensuring the appropriate g/l account is coded for posting to the g/l. However, as stated in a previous response, this responsibility up until now has been assigned to an Accounting Technician position in Finance. However, in reviewing the City's existing processes, the City is now assigning this task of review and accounting for all P-Card activity to a higher-level position within the Finance Department. It is our opinion that a higher-level review with a stronger knowledge base of the City's chart of accounts to include all expenditure general ledger (g/l) accounts and of the City's policies and procedures, including the P-Card Policy, that the review of all of the monthly P-Card activity being charged by employees and completed logs regarding the accounting for this activity will be more efficient and thorough and improve/increase the assurance that purchases are charged/coded to the appropriate budgetary account within the County's g/l.

8. The City should add curated budget account codes for department specific expenditures and events for better expenditure transparency and financial management.

The City is aware that its account code structure needs to be updated/revamped following the guidelines of the Government Finance Officers' Association (GFOA) and best practices. It has been the City's intent to do so for some time. However, due to the circumstances that the City has had to overcome over more than several years (e.g., staff turnover in Finance

as well as other City departments, COVID-19, late audits, etc.), we have yet to be able to do so. It is still City management's intent to update our account code structure as soon as we can. When we do address our chart of accounts and account code structure, we will include assessing the chart of accounts for added accounts for better expenditure transparency and financial management.

Now that the City is current in our audits, it is City management's plan to revisit our chart of accounts within the next year for implementation. Key staff that will be included in the restructuring of the City's chart of accounts will be the City Manager, Chief of Staff, Finance Director and other high-level accounting positions within Finance.

9. The City should update its Purchasing Manual to include clear guidance on when and what food purchases are appropriate.

The City will review the Purchasing Manual and determine what edits are needed to provide clear guidance on appropriate food purchases and the occasions for which they are permitted whether the purchases are made by P-Card purchase or check purchase.

City management agrees to amendments to its current policies to enhance internal controls, checks, and balances based on the recommendations from the results of this audit (that could include terminology and more explicit and specific language regarding what is allowable, amounts not to exceed, what food purchases are appropriate, etc. when purchasing food). City management's plan is to revisit our policies accordingly in Fiscal Year 2026 for these types of purchases whether paid for by P-Card or check purchases. Key staff that will be included in the restructuring of the City's chart of accounts will be the City Manager, Chief of Staff, Finance Director and Purchasing Manager.

Check Disbursements:

Based on the findings, the OSA recommends the following:

Management's Response:

To address some of the specific bullets on pages 12 – 13 of the report:

Excessive Purchases of Food:

Public Power Week Food:

- **During the course of Public Power Week, the City spent at least \$3,667 on food**, including a \$1,730 check disbursement to Wings-N-Thangs and \$1,937 spent on P-Cards at vendors such as Elizabeth City Pizza, Chick-fil-A, and Electric Garden.

Additionally, during the same week, the City spent \$640 at Topside Catering, which included 50 meals at \$11.99 each for an all-staff meeting.

Public Power Week is a week-long event that is open to all citizens of the City. Public power is a crucial component of cities and towns across North Carolina that drives the overall health of communities by providing unmatched electric reliability, affordable and sustainable power, excellent local service, and essential jobs in communities. This is a weeklong event held every year for the benefit of our citizens educating them regarding the electric power being provided to them. Each year before the event, Council approves a proclamation recognizing the Public Power Week as a celebration of year-round service to the City of Elizabeth City. This event has been held by the City for over 30+ years. For this weeklong event, food has always been provided. Because it is open to all citizens of the City and based on the average number of attendees per year, City management does not consider the amount expended of \$3,667 to be excessive.

- \$1,690 at Leon Nixon Catering. It is unclear what this purchase was for as the City did not provide OSA with any documentation, such as an invoice or check request, which would indicate the reason for the purchase.

The \$1,690 for Leon Nixon Catering was for a retirement event of a long-time Sanitation Department employee.

It has been the process for years that the City offers a long-time employee upon their retirement an event recognizing them for their many years of dedication and service to the City of Elizabeth City. Some employees accept the offer and an event is planned and held while some employees prefer not to be recognized at such an event. These events are open to all City employees as well as the retiree's family members. These events have also included the provision of food. Based on these events being open to all City

employees and any family members that the retiree may wish to attend, City management believes that this amount is reasonable and not excessive. In addition, City management believes in acknowledging and recognizing employees that have dedicated years of service to our great City and that this type of expenditure is justifiable.

- \$1,650 at Spivey Food Enterprises for a private food truck lunch service which included 100 meals for employee appreciation.

It is not uncommon for entities to provide food for events such as Public Power Week, Minority/Women Owned Businesses (MWBE), retreats such as the Capital Budget Retreat, recognition of employees retiring after long-time years of service, employee appreciation, etc. Therefore, City management does not agree that amounts for these events should be included in the results of this audit report nor as examples and that these should be removed from the results of this audit before finalizing the audit.

City Finance Department:

Based on the findings, the OSA recommends the following:

Management's Response:

10. The City should hire a permanent, full-time Finance Director.

The City intends and plans to hire a permanent, full-time Finance Director. At the LGC meeting, when we sought approval from the Board for three debt issuances and were asked about hiring a Finance Director, we explained that the process is already underway. The advertising is underway, and we are accepting applications. It is City management's hope that we will have qualified applicants with experience in governmental accounting, NC General Statutes, etc. The goal is to hire a qualified candidate by the end of calendar year 2025.

11. The City should ensure that Finance Department staff are appropriately trained to reduce the reliance on bookkeeping and financial consultants.

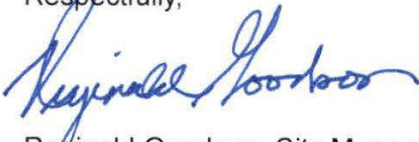
City management is in agreement with this recommendation. Management has and continues to provide staff with robust training opportunities through NCLM, SOG, the financial consultant, and the auditor. The City's current audit firm prides themselves on being a "teaching audit firm."

These efforts are proving to be effective. Prior to the completion of this audit, the City discontinued its services with the 3rd party accounting firm. The City received bids for a few audit tasks (e.g., pensions and GASB 87 & 96) and the preparation of the FY25 audit report. Since many processes were brought back in-house, the amount awarded was significantly lower than in past years. Additionally, business tasks like bank account reconciliations are now handled internally instead of by external 3rd party accounting firms, which will lead to considerable savings for the City.

In addition, it is City management's plan that as Finance staff become more educated and trained in the financial processes including the audit processes that the financial consultant will phase out.

The end goal is for the City to be self-reliant on internal staff and the in-house staff having the knowledge, skills, and expertise (e.g., SKE) to perform all financial tasks both during the audit year as well as during the audit. That is what we are working toward and where we expect to see ourselves in the near future.

Respectfully,

A handwritten signature in blue ink, appearing to read "Reginald Goodson".

Reginald Goodson, City Manager

Ordering Information

Copies of this report may be obtained by contacting:



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

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov

**To report alleged incidents of fraud, waste or abuse in state government
contact the Office of the State Auditor's Tipline:**

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OSA maintains strict confidentiality when handling personally identifiable and other sensitive information in accordance with State and federal law. OSA takes all necessary precautions to ensure that sensitive information is not compromised or improperly shared.

This Investigative Report is based on the limited information available to OSA at this time and is not exhaustive. Additionally, this investigation does not preclude the potential for future allegations, whether similar or different in nature, from being subject to investigation or audit by OSA. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

A copy of this Investigative Report has been provided to the City of Elizabeth City's leadership and published online for review by the residents of the City of Elizabeth City and all citizens of North Carolina.