



Investigative Report

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

Town of Hope Mills
Hope Mills, NC

April 24, 2026





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Chancer McLaughlin, Town Manager, Town of Hope Mills
Board of Commissioners, Town of Hope Mills

To all:

The North Carolina Office of the State Auditor's (OSA) investigation into the Town of Hope Mills was launched following multiple allegations received through the State Auditor's Tipline, alleging the Town had misused public funds and resources. In our investigation, we sought to assess the Town's financial health and determine the validity of allegations submitted.

Our review of the Town's financial health found serious deficiencies, and was most concerning. The Town recorded a fund balance reserve loss of \$1.5 million for the fiscal year ended June 30, 2025, the first balance reserve loss for the Town in the past five years.

OSA's Investigative Division looked further into this loss. According to the Town Finance Director, the Town typically budgets to spend approximately \$500,000 of its reserve funds on capital expenditures. We discovered that for Fiscal Year 2025, the Town spent \$1.7 million of its reserve funds – roughly \$1.2 million more than originally budgeted. Further, during the Town's Fiscal Year 2026 budget preparation process, proposed reserve fund expenditures totaled \$1.5 million, which again is far beyond the typical annual reserve use of \$500,000.

The over-expenditure practices are partially enabled through budget amendments approved by the Town's Board of Commissioners. These amendments can be passed with little transparency, and do not appear during the Town's budget process or in the Town's annual financial statements.

In response to our investigative report, the Town of Hope Mills noted that it would adopt a formal Fund Balance Policy that limits the appropriation of fund balance to no more than

3% of the total budget, and that it will utilize the Local Government Commission's Fund Balance Policy as a framework. We will be closely observing implementation of these policies, as the Town's financial health is of great importance to its residents and employees.

Other findings in the report include instances of unjustified salary increases for some town employees, and the shifting of public funds from certain budgets to cover unrelated expenses. We also found no evidence to support several of the allegations made. In total, the State Auditor's Office made 21 recommendations for the Town to implement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek", with a long horizontal flourish extending to the right.

Dave Boliek
State Auditor



April 24, 2026

Town of Hope Mills

WHY WE CONDUCTED THIS INVESTIGATION

The North Carolina Office of the State Auditor (OSA) received multiple allegations through the State Auditor's Tipline concerning potential misuse of public funds and resources by the Town of Hope Mills. In response, OSA's Investigative Audit Division initiated an investigation into this matter.

OBJECTIVES

- To assess the Town's ongoing financial health, and to determine the validity of several allegations submitted, along with additional items not directly related to allegations made.

WHAT WE FOUND

- Several instances of unjustified salary increases for some town employees.
- The Town collected funds for the Fishing Derby fundraiser then transferred those funds to the Artist Village Community Theatre.
- The Town overspent on its overall annual travel and training budget.
- The Board had reasonable justification for approving the installation of a gas line

at Fayetteville Cumberland Economic Development Corporation's request without knowledge of the benefiting business's identity.

- The Town's police department has chosen to compensate its eligible officers with overtime pay as opposed to comp time which is allowable under policy.
- The Board approved leasing a Dodge Ram pickup truck due to budget constraints and vehicle shortages during the COVID-19 pandemic.
- The Board properly approved a budget amendment to reallocate \$4,700 from the Veteran's Affairs Committee budget to cover the cost of a new washer and dryer for the Town's Fire Department.
- The Board passed a Budget Amendment on April 21, 2025 which allowed for the expenditure of funds for a roof, office supplies, and other items.
- The Town received no public records requests related to the Heritage Park ribbon-cutting expenditures.

WHAT WE FOUND cont.

- The Town purchased, and has taken delivery of, a garbage truck for \$340,000.
- The Town's funding of the Deaver Circle improvements was properly approved by the Board.
- The Board approved a budget request of \$6,700 to rekey office doors in town hall.
- The Board transferred \$660,000 in ARPA funds to the General Fund via Budget Amendment #2 for Fiscal Year 2026 Budget.
- No evidence that Prime Movers events were used for employee personal gain. All Prime Movers purchases exceeding \$500 require Board liaison approval.
- No evidence town funds were used to purchase alcohol for Ribbon Cutting at Heritage Park event.
- No evidence that Town Finance Director or Town staff used Town vehicles or utilized Town purchase cards to pay for gas.
- The Board properly directs proceeds from vehicle tax.
- The Board approved the tax rate increase included in the Fiscal Year 2025 budget.
- No evidence the Town Manager awarded a contract to a consultant based upon her relationship with the Programs Coordinator.
- Contract between a consulting firm and the Town did not comply with the preaudit requirements of the North Carolina General Statutes. This contract also did not comply with the use of competitive bidding processes for consulting contracts.
- The Town appropriately approved the expenditure of grounds maintenance at the Town's former golf course.
- OSA reviewed meeting minutes from the Economic Development Committee posted online, which showed a member list, and the declaration of a quorum at each meeting.

RECOMMENDATIONS

1. The Town should establish thresholds for minimum unrestricted reserve fund balances which are in alignment with guidance provided by the Local Government Budget and Fiscal Control Act (Chapter 159 of the North Carolina General Statutes),¹ the North Carolina League of Municipalities, a Certified Public Accounting (CPA) Service, or the UNC School of Government.
2. The Town should develop a targeted plan to restore the unrestricted reserve fund balances lost in 2025.
3. The Town should limit reserve funds usage to budget-approved capital projects.
4. The Town should budget for new operational costs in the next fiscal year and delay spending until funds are available.
5. The Board should receive a financial analysis of all mid-year expenditures to understand their impact on annual reserves before approving budget amendments.
6. The Town should complete PAFs documenting employee salary increases, changes, and promotions as described in the Town's Human Resources Policy Manual.
7. The Town Manager should adhere to all personnel policies established by the Town.
8. All PAFs completed solely by the Town Manager should include a second approval and review by the HR director prior to processing to ensure that salary increases are in line with established Town policy.
9. The Town should ensure that all PAFs are complete and accurate before submitting them for final approval.
10. The Town should ensure that all pay raises have documented justification for them.
11. The Town should ensure there is a segregation of duties when small departments have subordinates acting in interim director roles.
12. The Town should convert all employment files into an electronic format to ensure accurate organization and filing.
13. The Town Board should ensure that it complies with N.C.G.S. § 159-13 by approving budget ordinances when appropriating revenues for specific purposes during a fiscal year no later than July 1st.²
14. The Town should ensure that the Town complies with N.C.G.S. § 159-8(a) by accounting for all monies received and expended in their budget ordinance.

¹ [N.C.G.S. §159.](#)

² [N.C.G.S. § 159-13.](#)

15. The Town should ensure that the Board makes the proper amendments as deemed necessary by N.C.G.S. § 159-15.³
16. Pursuant to N.C.G.S. § 159-40, the Town should consider requesting an audit report of charities receiving public funds of at least \$1,000 when the Town sends funds on behalf of another party.
17. In order to reduce the risk of over-reimbursement of travel expenditures, the Town should revise their travel policy to reimburse employees for actual expenses incurred rather than estimated travel costs. The Town should limit travel advances, clearly define these advances, and issue reimbursements only for the actual amount of the expense.
18. The Town should ensure that travel reimbursements for all departments are accurate and dependable before the Finance Director and Town Manager approve.
19. As part of the Town's Personnel Policy, the Town should document specifically whether sworn police officers are to receive overtime pay or compensatory time off.
20. The Town should ensure that the Finance Director reviews all contracts to confirm the contracts comply with State preaudit requirements outlined in the Town's Procurement Policy.
21. The Town should provide additional clarification for when consultant contracts must adhere to the competitive bidding process.

³ [N.C.G.S. § 159-15](#).



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.

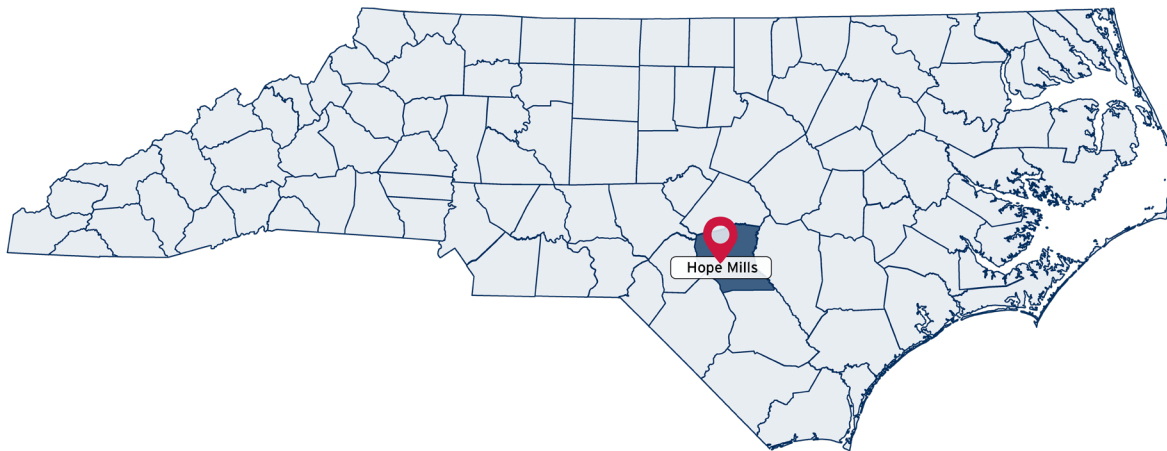
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Background

Town of Hope Mills, N.C.

The Town of Hope Mills (the Town) is located in Cumberland County, North Carolina, and has a population of approximately 17,800 residents.⁴ The Town is governed by an elected Mayor and an elected Board of Commissioners (the Board) consisting of five Commissioners.⁵ The Town Manager is appointed by the Mayor and the Board of Commissioners. The Town Manager serves as the Chief Administrative Officer for the Town.⁶



⁴ [As of 2020 Census.](#)

⁵ [Mayor and Board of Commissioners.](#)

⁶ [Town of Hope Mills Official Website](#)- Chancer McLaughlin Biography.

Hope Mills Financial Health

Investigation Finding

As part of our investigative procedures, OSA reviewed the Town’s approved Fiscal Year 2026 budget, including activity within its fund balance reserves. Fund balance reserves reflect the relationship between the Town’s revenues and expenditures. Our review determined that the Town projected a fund balance reserve loss of \$1,554,161 for the fiscal year ended on June 30, 2025. This represents the first instance of a fund balance reserve loss for the Town in the past five years.⁷

Continued operating losses without corrective oversight could impact the Town’s cash flows and investments. Such impact could impair the Town’s ability to meet essential operational obligations such as payroll, maintenance, and infrastructure needs. OSA determined that these findings warranted further investigation to identify the underlying causes of the loss and assess the risk of future occurrences.

	Actual 6/30/21	Actual 6/30/22	Actual 6/30/23	Actual 6/30/24	Estimated 6/30/25
Revenues					
Ad Valorem Taxes	5,736,748	5,793,907	5,993,190	6,180,854	7,035,411
Other Taxes & Licenses	762,681	794,899	811,818	833,946	862,854
Intergovernmental/Grants	5,605,892	6,157,878	6,541,572	6,669,681	6,875,127
Permits & Fees	262,737	488,399	698,980	1,255,650	779,817
Environmental Fees	1,337,192	1,387,227	1,542,424	1,652,218	1,785,187
Parks & Recreation Fees	99,047	187,503	208,483	222,550	282,171
Other Revenues	476,313	186,748	433,430	585,291	1,575,146
Total Revenues	14,300,610	14,976,561	16,229,877	17,401,000	19,195,713
Expenditures					
General Government	3,115,529	3,144,984	3,102,860	3,265,322	3,560,466
Debt Service	822,468	820,628	809,684	775,589	1,243,678
Public Safety	6,761,083	7,178,276	7,829,402	8,268,960	11,643,315
Transportation	360,149	394,432	405,801	481,977	534,863
Environmental Protection	1,070,248	1,035,117	1,383,983	1,302,814	1,367,051
Parks & Recreation	1,739,428	2,023,609	2,401,928	2,450,233	2,400,501
Total Expenditures	13,858,905	14,597,046	15,933,658	16,547,905	20,749,874
Total Revenues	14,300,610	14,976,561	16,229,877	17,401,000	19,195,713
Total Expenditures	13,858,905	14,597,046	15,933,658	16,547,905	20,749,874
Fund Balance Reserves	431,705	379,515	296,219	853,095	(1,554,161)

[Fiscal Year 2026 – 5 Year Historical & Approved Budget Obtained from the Town of Hope Mills public website.](#)

To meet their operating demands, the Town must either increase taxes or utilize funds from its existing cash reserves. Reserves consist of the Town’s cash and investment accounts. While the Town may anticipate, and budget for, the utilization of a portion of the Town’s fund reserves each year, operating at a negative fund balance over multiple years is not sustainable. The Town should ideally operate with a positive fund balance, enabling it to

⁷ [Town of Hope Mills FY 2025-26 Approved Budget.](#)

grow its fund balance reserves and maintain investment accounts that can earn additional revenue for the Town without increasing taxes.

Per the Town Finance Director, the Town typically budgets to expend approximately \$500,000 of its reserve funds on capital expenditures (one-time purchases), but not operational expenditures (annual or on-going expenditures). This occurred during the Fiscal Year 2025 budget planning process where the Town budgeted to spend \$499,375.⁸ Despite this, the Board's approval of the extensive use of reserve funds continued in FY 2025. Budget amendments exacerbated these over-expenditure practices, which the Board can pass with little transparency. These amendments do not appear during the Town's budget process or in the Town's annual financial statements.

OSA determined that some budget amendments obligated the Town to ongoing operational expenditures of approximately \$363,394 and that final reserve fund expenditures for Fiscal Year 2025 totaled \$1,734,825, \$1.2 million more than originally budgeted.

Additionally, 60% of the Town's budget amendments for Fiscal Year 2025 consisted of expenditures related to the Town of Hope Mills' Police Department (Police Department) and included the following:

- \$466,000 for police school resource officer vehicles.
- \$296,250 for a police server to maintain records and evidence (previously provided by the Cumberland County Sheriff's Office).
- \$190,000 for Police Department overtime and leased vehicle additions.
- \$81,000 for insurance and fuel for the Police Department.

OSA further learned from its inquiry with the Finance Director that, after calculation of final Fiscal Year 2025 losses, the Town retained FY 2026 cash reserves of \$2.9 million as of October 31, 2025. Additionally, during the Town's FY 2026 budget preparation process, proposed reserve fund expenditures totaled \$1,561,675, significantly exceeding the typical annual reserve use of \$500,000 for a second year.

These proposed reserve fund expenditures were due in part to the Town Mayor's recommendation to reduce the Town's tax rate from 51 cents per \$100 of assessed property value to 45 cents per \$100 of assessed property value and consisted of the use of the following reserve funds:

- \$661,375 in American Rescue Plan Act (ARPA) funds.

⁸ [Town of Hope Mills FY 2024-25 Approved Budget.](#)

- \$481,813 from the sale of a cell tower - intended for future capital projects and whose sale failed to occur.
- \$418,187 of Town cash reserves.

Additionally, in an email to the Town Manager, the Town Finance Director objected to the Mayor's budget proposal and instead recommended submitting to the Board a tax of 49 cents per \$100 of assessed property value to raise needed revenues as well as limiting the use of ARPA funds to \$289,200. This further illustrates that Town leadership lacked understanding of the impact of depleting the Town's reserve funds. These actions could have occurred again in Fiscal Year 2026 if the Board had approved the Mayor's proposed budget. In the approved Town budget for FY 2026, the Board allocated \$442,300 in reserve spending and approved a tax rate of 48 cents per \$100 of assessed property value, reducing the use of reserve funds and increasing the property tax rate from the Mayor's original budget proposal.⁹

To date, for Fiscal Year 2026, the Board amended the budget to authorize an additional \$62,375 in reserve funds expenditures beyond the original, approved budget. While the Town Manager does not anticipate operating at a loss this year and expects to rebuild a portion of the Town's reserves, continued spending at the levels seen in FY 2025—whether through the proposed FY 2026 budget or future budget amendments—could result in the depletion of the Town's current cash reserves as early as FY 2028.

We Recommend the Following:

1. The Town should establish thresholds for minimum unrestricted reserve fund balances which are in alignment with guidance provided by the Local Government Budget and Fiscal Control Act (Chapter 159 of the North Carolina General Statutes),¹⁰ the North Carolina League of Municipalities, a Certified Public Accounting (CPA) Service, or the UNC School of Government.
2. The Town should develop a targeted plan to restore the unrestricted reserve fund balances lost in 2025.
3. The Town should limit reserve funds usage to budget-approved capital projects.
4. The Town should budget for new operational costs in the next fiscal year and delay spending until funds are available.

⁹ [Town of Hope Mills FY 2025-26 Approved Budget.](#)

¹⁰ [N.C.G.S. §159.](#)

5. The Board should receive a financial analysis of all mid-year expenditures to understand their impact on annual reserves before approving budget amendments.

Substantiated Allegations

Town Manager Improperly Awarded Salary Increases

Investigation Finding

OSA received an allegation that the Town Manager was improperly awarding salary increases to Town employees.

To determine if the Town Manager was improperly awarding salary increases, OSA examined a sample of Town employee records. OSA obtained the Town's employee listing consisting of 228 employees and examined the records of 45 employees during the period of July 1, 2024, through October 21, 2025.

Of the 45 employees examined, 15 personnel files contained Personnel Action Forms (PAFs) used in processing employee salary increases. Of those 15 personnel files, OSA found that:

- 10 of the 15 employees were given increases without a properly documented PAF providing the reason for the employees' increase;
- Seven of the 15 employees received salary increases exceeding the 2% cost-of-living increase approved for Fiscal Year 2025 and the 1.5% increase approved for FY 2026 in the Town's budget;¹¹
- Three of the 15 PAFs were not approved by either the Human Resource Director and/or Town Manager as required by policy; and
- One of the 15 PAFs contained an instance where the interim Human Resource Director approved their own pay raise.

Unjustified Salary Increases

Of the seven employees OSA identified as receiving pay increases above the Town's approved cost of living increase budgeted amounts—2% for Fiscal Year 2025 and 1.5% for FY 2026—these employees additionally received 0.5% to 10% above what was approved.¹² This included instances where the Town Manager awarded potentially excessive salary increases, as follows:

- An 11% increase for a Town Planner.

¹¹ [Town of Hope Mills FY 2024-25 Approved Budget](#); [Town of Hope Mills FY 2025-26 Approved Budget](#).

¹² [Ibid](#); [Ibid](#).

- A 12% increase for a Human Resources Specialist.
- A 12% increase for a Deputy Town Clerk/Public Information Officer.

In response to OSA requesting approval documentation for these salary increases, the Town Manager responded by email stating that he may approve salary increases without obtaining additional signatures or justifications. The Town Manager has the ability to set and adjust salaries within the ranges established by the Board's adopted budget and pay scale without further documentation. However, this is contrary to the Administration and Maintenance section of the Town's Pay Plan policy, which states that the Town Manager and the Human Resources Director are responsible for administration of the pay plan. According to the policy, the Human Resources Director, with the approval of the Town Manager, prescribes all personnel forms and reports, including records of personnel actions. Moreover, Town policy requires a PAF form with two approvals and a justification prior to any increase of an employee's salary.

Complicating matters, OSA found the Town keeps both paper and electronic records of employee files. During testing, OSA found personnel forms present in electronic files but missing in corresponding physical files. The Town's inconsistent record organization hindered OSA's investigation and jeopardized the reliability of the files examined.

Based on the information provided by Town Officials and documentation reviewed, OSA substantiated the allegation that the Town Manager improperly awarded salary increases.

We Recommend the Following:

6. The Town should complete PAFs documenting employee salary increases, changes, and promotions as described in the Town's Human Resources Policy Manual.
7. The Town Manager should adhere to all personnel policies established by the Town.
8. All PAFs completed solely by the Town Manager should include a second approval and review by the HR director prior to processing to ensure that salary increases are in line with established Town policy.
9. The Town should ensure that all PAFs are complete and accurate before submitting them for final approval.
10. The Town should ensure that all pay raises have documented justification for them.
11. The Town should ensure there is a segregation of duties when small departments have subordinates acting in interim director roles.

12. The Town should convert all employment files into an electronic format to ensure accurate organization and filing.

Town Accounts Used for the Fishing Derby Fundraiser

Investigation Finding

OSA received an allegation that a Hope Mills Board Commissioner misused Town funds for a Fishing Derby Fundraiser.

OSA interviewed the Town Manager and Finance Director who confirmed that the tournament occurred at Hope Mills Lake in June 2025. However, even though the Town promoted the event to the Hope Mills community, the Town did not sponsor the event. The Town Manager and Finance Director also confirmed that the Board member utilized the Town's Parks and Recreation registration system for participant registration and to collect a \$25 registration fee. OSA examined registration documentation confirming the Fishing Derby had 46 participants, collected \$1,150 in registration fees, and concluded with a transfer of the registration fees to the Artist Village Community Theatre (Theatre).



Advertisement found in the Town of Hope Mills April 7, 2025, Board Minutes, page 5.

In addition, the Town Manager and Finance Director informed OSA that a member of the Board organized the event. Neither the Town Manager nor the Finance Director was aware of whether any vendor sponsorships were associated with the Fishing Derby. The Town Manager and Finance Director agreed that the Town and members of the Board are permitted to promote events that benefit the community. OSA investigators verified that the Board publicly advertised the Fishing Derby in the Board of Commissioners' meeting minutes dated April 7, 2025.¹³

¹³ [Board Meeting Minutes, April 7, 2025.](#)

OSA determined that the Town facilitated the receipt and disbursement of funds to the local nonprofit organization. In a June 12, 2025 email to the Finance Director, the Parks and Recreation Director requested the transfer of \$1,150 from the Fishing Derby Fund to the Cultural Arts account for payment to the Theatre. As part of our review, OSA examined a check copy showing the disbursement of \$1,150 to the Theatre.

During our inquiry, Town leadership stated that the Town was an intermediary for this event and that the Town did not host the event. OSA performed additional research to determine if North Carolina General Statutes (N.C.G.S.) allow for this type of disbursement and determined the following:

- North Carolina General Statutes require a budget ordinance to appropriate revenues for specified purposes or activities during a fiscal year.¹⁴
- A local government should include all monies received and expended in a budget ordinance.¹⁵
- If a city or county grants or appropriates \$1,000 or more in any fiscal year to a nonprofit corporation or organization, the city or county may require that nonprofit organization to have an audit performed in the fiscal year in which they receive the funds.¹⁶

Based on the information provided by Town Officials and documentation provided, OSA substantiated the allegation.

We Recommend the Following:

13. The Town Board should ensure that it complies with N.C.G.S. § 159-13 by approving budget ordinances when appropriating revenues for specific purposes during a fiscal year no later than July 1st.¹⁷
14. The Town should ensure that the Town complies with N.C.G.S. § 159-8(a) by accounting for all monies received and expended in their budget ordinance.
15. The Town should ensure that the Board makes the proper amendments as deemed necessary by N.C.G.S. § 159-15.¹⁸

¹⁴ [N.C.G.S. §159-7 \(b\)\(2\).](#)

¹⁵ [N.C.G.S. §159-8\(a\).](#)

¹⁶ [N.C.G.S. §159-40\(a\).](#)

¹⁷ [N.C.G.S. § 159-13.](#)

¹⁸ [N.C.G.S. § 159-15.](#)

16. Pursuant to N.C.G.S. § 159-40, the Town should consider requesting an audit report of charities receiving public funds of at least \$1,000 when the Town sends funds on behalf of another party.

Partially Substantiated Allegations

Travel and Training Expenditures Over Spent

Investigation Finding

OSA received an allegation that the Town spent \$18,000 on travel and training, despite the Town budgeting only \$10,000 for these expenses. As part of this allegation, the complainant stated that the Town incurred expenses totaling \$18,000 for a single training event, despite having an approved annual training budget of \$10,000.

OSA reviewed the Town’s approved travel and training budget and associated expenditure account for the Fiscal Year 2025. A comparison of the Town's expenditures showed the Town’s actual travel and training expenditures only exceeded budgeted amounts by \$622. Moreover, because the Town has multiple travel and training events throughout the year, this overage is not attributable to a single event.

Over Expenditures of the Town’s Travel and Training Budget

Although the Town only overspent the overall travel and training budget by \$622, OSA identified five departments which exceeded their annual travel and training budgets by more than \$2,000, with an aggregate overage of \$16,873. The Town covered these departments’ over-expenditures through the transfer of travel and training funds from other departments. Such transfers reduced the annual travel and training budgets for other departments.

The following are examples of departments which overspent their annual travel and training budget:

Department	Travel and Training Budget per the 2024-2025 Approved Budget¹⁹	Travel and Training Expenditures during the period of 7/1/2024-6/30/2025	Spending Overage	Percentage Overage
Governing Body	17,500.00	22,582.78	(5,082.78)	129%
Parks and Recreation	1,500.00	5,362.58	(3,862.58)	358%
Administration	10,000.00	13,396.86	(3,396.86)	134%
Police Department	20,000.00	22,261.78	(2,261.78)	111%
Fire	7,000.00	9,267.56	(2,267.56)	132%

¹⁹ [Town of Hope Mills FY 2024-25 Approved Budget.](#)

Based on the information provided by Town Officials, OSA partially substantiated the allegation. More specifically, while the Town did overspend the travel budget, OSA could not attribute the over-expenditure to a single training event.

We Recommend the Following:

17. In order to reduce the risk of over-reimbursement of travel expenditures, the Town should revise their travel policy to reimburse employees for actual expenses incurred rather than estimated travel costs. The Town should limit travel advances, clearly define these advances, and issue reimbursements only for the actual amount of the expense.
18. The Town should ensure that travel reimbursements for all departments are accurate and dependable before the Finance Director and Town Manager approve.

Unsubstantiated Allegations

Imprudent Approval of a Gas Line

Investigation Finding

OSA received an allegation that the Board approved \$33,000 for a gas line at Fayetteville Cumberland Economic Development Corporation's (FCEDC) request without knowledge of the benefiting business's identity.

The FCEDC is a 501(c)(6) public-private partnership designated to enhance job growth in Cumberland County by attracting new, and expanding existing, industries. On April 3, 2025 the Town Manager presented a memo to the Board from the President and CEO of FCEDC requesting a gas line extension for a company considering 103 Starling Road for a new manufacturing and distribution facility. The memo designated the U.S.-based company as "Project Shade."²⁰

According to this memo, the company would create 45 new jobs by 2026, pay an average wage exceeding \$38,000 per year, and would increase the Town's tax base by more than \$10 million. Other ancillary benefits to the Town included a \$50,000 increase in annual tax revenue income and \$1.9 million in annual employee wages.²¹

Additionally, OSA examined the June 16, 2025 Board meeting agenda and noted that the Board could not disclose the identity of the U.S.-based company due to a confidentiality agreement. The agenda further showed the Board did not have access to the financial statements of "Project Shade" due to the confidentiality agreement. On June 16, 2025, the Board made a motion to move forward with the gas line extension for "Project Shade" and passed the motion, with three in favor and two opposed.²²

Based upon documentation and information provided by the Town, OSA determined this allegation to be unsubstantiated as the Board had reasonable justification for approving the installation of the gas line extension despite lacking knowledge of the identity of the purchasing company.

²⁰ [Board Meeting Minutes, June 16, 2025.](#)

²¹ [Ibid.](#)

²² [Ibid.](#)

Power Bill Funds Used for Restricted Purposes

Investigation Finding

OSA received an allegation that the Town expended funds restricted by State law for an unauthorized purpose, specifically salaries.

Pursuant to N.C.G.S. § 136-41.3 (the Powell Bill), municipalities may use allotted funds for street maintenance, repair, construction, and ancillary costs associated with those actions.²³ For Fiscal Year 2025, the Town paid LJB Engineering, Summit Design and Engineering, Morgan Trucking and General Contracting, and Pavement Technologies \$395,858 of Powell Bill funds.

Expenditures related to Powell Bill funds consisted of:

- \$259,163 for general construction services;
- \$70,679 on professional engineering services; and
- \$66,016 in asphalt pavement rejuvenation.

All the above are approved expenditures under the Powell Bill.²⁴

Based on the information provided by the Town and documentation reviewed, OSA has determined this allegation is unsubstantiated.

²³ [N.C.G.S. §136.41.3.](#)

²⁴ [Ibid.](#)

Police Overtime Pay

Investigation Finding

OSA received an allegation that the Town paid their police officers overtime wages without approval from the Board.

OSA investigators reviewed the Town's Personnel Policy, which is applicable to the Town's Police Department. This policy does not require that the police department obtain Board approval when determining whether sworn police officers receive either compensatory (comp) time or overtime pay for working over 171 hours in a 28-day cycle.

The Town police department has chosen to compensate its eligible officers with overtime pay as opposed to comp time. While this is not a violation of policy, this comes at a higher cost to the Town.

Based on the information reviewed, OSA determined this allegation to be unsubstantiated.

We Recommend the Following:

19. As part of the Town's Personnel Policy, the Town should document specifically whether sworn police officers are to receive overtime pay or compensatory time off.

Unapproved Purchase of a Dodge Ram Vehicle

Investigation Finding

OSA received an allegation that the Town purchased a Dodge Ram vehicle not included in an approved budget.

OSA reviewed the Town’s approved budgets and determined that no capital outlay requests were submitted by the Public Works Department for Fiscal Year 2026.²⁵ However, OSA found the Sanitation Department had submitted the request to purchase a Ford F-250 for \$44,500 in March 2022 to replace an aging 1997 Ford F-150, the request was not approved in the FY 2023 budget; instead, the budget allowed for leasing a truck.²⁶ According to the Finance Director, the Board ultimately approved leasing a Dodge Ram truck due to budget constraints and vehicle shortages during the COVID-19 pandemic.

Based on the information provided by Town Officials, OSA determined this allegation to be unsubstantiated.



²⁵ [Town of Hope Mills FY 2025-26 Approved Budget.](#)

²⁶ [Town of Hope Mills FY 2022-23 Approved Budget.](#)

Unauthorized Funds Transfer from the Veterans Affairs Committee to the Fire Department

Investigation Finding

OSA received an allegation that the Board inappropriately approved reallocating \$4,700 from the Veterans Affairs Committee budget to cover the cost of a new washer and dryer for the Town's Fire Department.

OSA reviewed March 6, 2025 Board meeting minutes that show a Board Commissioner moved to reallocate \$4,700 from the Veterans Affairs Committee to the Fire Department for the purchase of a washer and dryer, which the Board passed unanimously.²⁷ Eleven days later, the Fire Chief proposed a budget amendment for \$27,600 to purchase a new washer, dryer, and Personal Protective Equipment (PPE) drying system for the Fire Department. That same day, the Board unanimously approved the motion.²⁸

Under State law, a Town's Board may approve amendments to the Town's budget at any time after budget adoption.²⁹

Based on the documentation provided and OSA's review of State law, OSA determined that the motion and amendment did not violate any prescribed statutory requirements. Therefore, OSA determined this allegation is unsubstantiated.

²⁷ [Board Meeting Minutes, March 6, 2025.](#)

²⁸ [Board Meeting Minutes, March 17, 2025.](#)

²⁹ [N.C.G.S. § 159-15.](#)

Unauthorized Use of Funds for a Roof, Office Supplies, and Paper

Investigation Finding

OSA received an allegation that the Town Finance Director spent \$90,000 in Town funds for a roof, office supplies, and paper without Board approval.

OSA investigators reviewed Board meeting minutes from April 21, 2025 which included a proposed Budget Ordinance Amendment submitted by the Finance Director.³⁰ The amendment requested funding for building repairs, part-time employee salary increases, department supplies, and utilities for the Parks and Recreation Department for a total of \$90,500. The Board passed the motion for the budget amendment on April 21, 2025.³¹

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

³⁰ [Board Meeting Minutes April 21, 2025.](#)

³¹ [Ibid; May 5, 2025 Board Meeting Minutes.](#)

Failure to Provide Receipts for Public Records Requests

Investigation Finding

OSA received an allegation that the Town failed to provide expenditure receipts to citizens in response to public records requests for a ribbon cutting ceremony at Heritage Park.

OSA investigators confirmed there was a ribbon cutting ceremony on November 20, 2024, to commemorate the completion of Phase 1 of the Heritage Park project. According to the Town Manager, inclement weather limited attendance at the event. Further, OSA confirmed with the Town Clerk via email that the Town had not received any public records requests regarding expenditures associated with this event.

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.



Photo taken from article Celebrating Phase I; Town of Hope Mills holds ribbon cutting ceremony for its Heritage Park project Published 11/21/24 by the Greater Fayetteville Business Journal.

Purchase of a Garbage Truck for the Stormwater Department

Investigation Finding

OSA received an allegation that the Town spent \$340,000 to purchase a garbage truck that is currently not in operation for the Stormwater Department.

On August 13, 2025, OSA requested to review the purchase order and examine the garbage truck. The Town Manager informed OSA that the truck was on order and the Town had not yet taken delivery. OSA confirmed delivery of the garbage truck on February 19, 2026 with the Town Finance Director via email.

STORMWATER			
Billy Goat Stand-on Blower	13,300	13,300	13,300
Rear Load Trash Truck	320,000	320,000	320,000
TOTAL CAPITAL OUTLAY - STORMWATER	333,300	333,300	333,300

Taken from the 2024-2025 Approved Budget, page 23.

Based on the documentation obtained from the Town, OSA determined this allegation to be unsubstantiated.



Photograph Provided by the Hope Mills Public Works Department.

Misuse of Town Funds for Road Maintenance

Investigation Finding

OSA received an allegation that the Town misused public funds to maintain a road that neither the Town nor the North Carolina Department of Transportation (NCDOT) owns.

As part of the investigation, OSA examined the Board meeting agenda from September 16, 2024. The agenda identified the unmaintained road as Deaver Circle and cited the absence of a drainage system for stormwater runoff as a reason for the road's deterioration. The delay in improvements to the road resulted from lack of established ownership of the road and the Town's dependency on NCDOT installing a drainage system along nearby Rockfish Road. The agenda showed that NCDOT notified the Town Public Works Department that improvements to Rockfish Road would include the installation of a drainage system in 2025.³²

Based upon this information, the Town's Public Works staff requested authorization from the Board to obtain bids for the repair and replacement of portions of Deaver Circle. Public Works staff subsequently submitted the bids to the Board for approval, along with a resolution stating this work would not obligate the Town to assume ownership of Deaver Circle upon completion of the recommended improvements.³³

Additionally, OSA reviewed the Town's October 7 and October 21, 2024 Board meeting minutes, which authorized the Town Manager to proceed with a formal bidding process for repairs to Deaver Circle.³⁴ OSA also reviewed the Town-approved \$33,775 budget amendment included in the Fiscal Year 2025 budget for these improvements.³⁵ Further, OSA confirmed that the Public Works Department advertised the project for bid, with bids opened on October 2, 2024, and that the Board of Commissioners approved execution of a contract with Diamond Constructors, Inc. at its October 7, 2024 meeting.³⁶

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

³² [Board Meeting Minutes, September 16, 2024.](#)

³³ [Ibid.](#)

³⁴ [Board Meeting Minutes, October 7, 2024.](#)

³⁵ [Board Meeting Minutes, October 21, 2024.](#)

³⁶ [Board Meeting Minutes, October 7, 2024; Deaver Circle Invitation to Bid.](#)

Wasted Funds Rekeying 35 Office Doors

Investigation Finding

OSA received an allegation that the Town Mayor wasted taxpayer funds by rekeying 35 office doors.

OSA investigators found in the Fiscal Year 2026 approved budget that the Building Operation & Maintenance Department had requested \$6,700 to rekey the office doors in the Town Hall. The Board approved this request.

Based upon the documentation examined, OSA determined this allegation to be unsubstantiated.³⁷

³⁷ [Town of Hope Mills FY 2025-26 Approved Budget.](#)

Transfer of American Rescue Plan Act (ARPA) Funds to the General Fund

Investigation Finding

OSA received an allegation that the Finance Director and Town Manager moved \$660,000 from ARPA Project Funds to the General Fund.

The transfer is Budget Amendment #2 for the Fiscal Year 2026 budget.³⁸ OSA reviewed video footage of the Board meeting which took place on August 18, 2025, and the Board unanimously approved the amendment.³⁹

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

³⁸ [Board Meeting Minutes, August 18, 2025.](#)

³⁹ [Board Meeting Minutes. YouTube video, August 18, 2025.](#)

Prime Movers Committee Receipts Used for Personal Gain

Investigation Finding

OSA received an allegation that Town employees used funds intended for Prime Movers events for employee personal gain.

Throughout the investigation, OSA obtained receipts from vendors such as Amazon, Walmart, Chick-Fil-A, Superior Bakery, and Teach Me 2 Tie, Inc. which OSA determined to be associated with events sponsored by the Prime Movers Committee.

OSA reviewed receipts for four events sponsored by the Prime Movers Committee. Those included Ties and Tiaras, Capes and Crowns Spring Celebration, the Heritage Park Ribbon Cutting Ceremony, and the Trunk or Treat Celebration. Review of the receipts shows that Town employees purchased appropriate goods and services for each respective event, with none showing any member of the Prime Movers Committee personally gained from the expenditure. For example, a receipt for \$470 to the Town of Hope Mills for the use of the Recreation Center on May 24, 2025, for their Spring Celebration event from 5pm-9pm was an appropriate use of the Prime Movers Committee funds.

To strengthen oversight of committee and commission spending and ensure committees and commissions use funds for official Town purposes, the Board of Commissioners voted unanimously at its September 15, 2025 meeting to require Board liaison approval for all purchases exceeding \$500.⁴⁰

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

⁴⁰ [Board Meeting Minutes, October 6, 2025.](#)

Misuse of Purchase Cards for the Heritage Park Ribbon Cutting Event

Investigation Finding

OSA received an allegation that Town staff misused purchase cards by purchasing alcohol for community events, specifically the Ribbon Cutting for Heritage Park event.

OSA reviewed a catering receipt related to the event and determined the event served no alcohol.

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

Misuse of Town Vehicles for Personal Use

Investigation Finding

OSA received an allegation that the Town's Finance Director and staff used Town vehicles for personal use and utilized Town purchase cards to pay for gas.

When inquiring about Town vehicle usage, OSA obtained the Town's use of equipment policy and the Town's vehicle insurance policy from the Town Finance Director. The Town's use of equipment policy restricts use of Town vehicles to work purposes, with personal use explicitly forbidden. The Town's insurance policy provided a list of vehicles in use by each department.

OSA did not note any vehicles assigned specifically to the Town's Finance Department. Furthermore, the Town's use of equipment policy does not provide guidelines for the assignment or monitoring of Town vehicles, making it impossible to determine if Finance department staff had used a Town vehicle for personal use. Moreover, during our interviews with the Town Manager and Town Finance Director, both stated that they were not aware of any personal use of a Town vehicle.

Due to the lack of established policies and internal records related to the tracking, monitoring, and use of Town vehicles, OSA determined that this allegation was unsubstantiated.

Misuse of Purchase Cards for Food and Clothing

Investigation Finding

OSA received an allegation that Town staff used Town purchase cards to purchase clothing, soda, and snacks for themselves.

OSA was unable to investigate this allegation as it did not outline specific examples of purchase card misuse.

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

Misuse of Vehicle Tax Fee Revenue

Investigation Finding

OSA received an allegation that the Town does not use \$5.00 of its \$10.00 vehicle tax fee to fund infrastructure projects.

Upon review of the Town's Fiscal Year 2025 approved budget, OSA notes on page 41 that the Town's Motor Vehicle License Tax was set at \$10.00.⁴¹

According to N.C.G.S. § 20-97(b1) municipalities may levy an annual vehicle tax of up to \$30.00 per vehicle. Of this amount:⁴²

- Municipalities may use up to \$5.00 for any lawful purpose.
- Municipalities may allocate up to \$5.00 to public transportation systems, if applicable.
- Municipalities may use the remaining balance for maintaining, repairing, constructing, reconstructing, widening, or improving public streets that are not part of the State highway system.⁴³

More broadly, N.C.G.S. § 20-97(b1) does not mandate that revenue generated from the Motor Vehicle License Tax be allocated specifically to infrastructure projects.⁴⁴

During a meeting on August 13, 2025, the Finance Director confirmed that the Town directs proceeds from this vehicle tax fee to the Street Department. The Street Department uses these funds to support the maintenance and landscaping of Town-owned properties.

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

⁴¹ [Town of Hope Mills FY 2024-25 Approved Budget.](#)

⁴² [N.C.G.S. § 20-97\(b1\).](#)

⁴³ [Ibid.](#)

⁴⁴ [Ibid.](#)

Unapproved Tax Rate Increase

Investigation Finding

OSA received an allegation that the Board did not approve the \$0.05 tax rate increase included in the Fiscal Year 2025 budget.

OSA examined the Fiscal Year 2025 budget and found the approximate tax base of \$1,223,896,345 and the 99.69% collection rate resulted in an estimated Ad Valorem tax collection of \$6,222,500.⁴⁵ This estimate would be the result of the increase to the Town's tax rate from 46 cents per \$100 of assessed property value to 51 cents per \$100 of assessed property value. OSA further examined Board meeting minutes from June 3, 2024, and found that the Board passed the proposed FY 2025 budget.⁴⁶

Based on the documentation examined, OSA determined this allegation to be unsubstantiated.

⁴⁵ [Town of Hope Mills FY 2024-25 Approved Budget.](#)

⁴⁶ [Board Meeting Minutes, June 3, 2024.](#)

Town Manager Awarded a Consulting Contract due to Bias

Investigation Finding

OSA received an allegation that the Town Manager awarded a contract to a consultant based upon the consultant's spousal relationship with the Programs Coordinator.

OSA examined the contract awarded to Crystal Clear Consulting Group, LLC by the Town dated July 7, 2025. OSA also reviewed the Onboarding Form for the Programs Coordinator dated July 14, 2025. From these documents, OSA gleaned the Programs Coordinator was not a Town employee on the date the Town contracted with Crystal Clear Consulting Group, LLC. Thus, any allegation of nepotistic behavior related to the contract award is without merit and thus, the allegation is unsubstantiated.

Additional Areas of Concern

As part of our examination of the contract between Crystal Clear Consulting, LLC and the Town, OSA investigators determined that the contract did not comply with the preaudit requirements outlined in N.C.G.S. § 159-28(a)-(a2). Specifically, the contract lacked the required preaudit certification by the Town's Finance Director, as mandated under State law.⁴⁷

Additionally, OSA identified that the contract may not have adhered to the Town's Procurement Policy, which outlines requirements for the use of competitive bidding processes for consultant contracts. The Town's Procurement Policy states:

"Normal Competitive procedures are not required in securing professional services such as attorneys, auditors, consultants, or other professional services. Although not required, in some instances it may be in the best interest of the Town to seek competitive bids on contracts even when state law does not require it."

Based on the documentation reviewed, OSA concluded that these issues constitute additional areas of concern, as the contract failed to meet both state preaudit requirements and the Town's procurement policy expectations.

⁴⁷ [N.C.G.S. § 159-28 \(a\)-\(a2\)](#).

We Recommend the Following:

20. The Town should ensure that the Finance Director reviews all contracts to confirm the contracts comply with State preaudit requirements outlined in the Town's Procurement Policy.
21. The Town should provide additional clarification for when consultant contracts must adhere to the competitive bidding process.

The Town Wasted Funds on Landscaping Services

Investigation Finding

OSA received an allegation that the Town contracted unnecessary landscaping services.

OSA interviewed the Finance Director on October 20, 2025, and confirmed that the Town uses a landscaping company named Green Earth Landscaping for the grounds maintenance of a former golf course owned by the Town that is now a greenway.

A review of Town invoices shows grounds maintenance costs of \$2,800 per month (\$14,000 annually), which the Town Manager stated is more cost-effective alternative to using the Town's Public Works Department. The Town appropriately approved the expenditure; therefore, the allegation is unsubstantiated.

Economic Development Committee Improperly Charging for Elevate Hope Mills Events

Investigation Finding

OSA received an allegation that the Economic Development Committee, which funds Elevate Hope Mills events, advertises these events as free of charge despite requiring citizens to pay for admission.

OSA was unable to investigate this allegation further since the allegation did not outline specific events.

Based on the lack of information provided, OSA determined this allegation to be unsubstantiated.

Inaccessible Economic Development Committee Meeting Minutes

Investigation Finding

OSA received an allegation that the Economic Development Committee failed to record meeting minutes and had not provided a member list to show a quorum.

OSA found the Economic Development Committee posted their meeting minutes from January 14, 2025, and April 4, 2025, on August 25, 2025.⁴⁸ Both meetings show a committee member list and the Town Manager declared a quorum at each meeting.

Based on the meeting minutes reviewed and the information contained within, OSA determined this allegation to be unsubstantiated.

⁴⁸ [Hope Mills Economic Development Committee- January 14, 2025](#); [Hope Mills Economic Development Committee April 4, 2025](#).

Investigation Impedance

Coverage through social media, local news outlets, and public records requests impeded the North Carolina Office of the State Auditor's investigation. As a result, the Town was already aware of what OSA was going to request. This made it difficult to guarantee the results of our findings.



RESPONSE FROM THE TOWN OF HOPE MILLS

April 8, 2026

David L. Boliek
State Auditor
North Carolina Office of the State Auditor
325 N. Salisbury Street
Raleigh, NC 27603

20601 Mail Service Center
Raleigh, NC 27699

Dear Mr. Boliek,

The Town of Hope Mills hereby submits the following *Corrective Action Report* to the North Carolina Office of the State Auditor in response to the findings outlined in the draft report issued by the Investigative Audit Division and received by the Town on Friday, March 20, 2026. The Town of Hope Mills is confident that the implementation of new internal controls, the introduction of additional compliance initiatives, and the revision of existing policies will strengthen the Town’s operational framework and ensure it is firmly grounded in compliance with applicable local and state laws, regulations, and the recommendations issued by the Office of the State Auditor.

The Investigative Audit Division Special Report listed Substantiated Allegations Investigation Fundings two (2); Partially Substantiated Allegations Investigation Fundings three (3) and Unsubstantiated Allegations Investigation Fundings eighteen (18). Outlined below are the investigative findings in the report that were substantiated and partially substantiated by OSA, the corresponding recommendations provided by the Office of the State Auditor, the Town of Hope Mills’ official response of corrective actions to address each matter including the department responsible, as well as the proposed timetable of compliance:

HOPE MILLS FINANCIAL HEALTH

Audit Investigation Finding: The Town projected a fund balance reserve loss of \$1,554,161 for the fiscal year ended on June 30, 2025. OSA determined that some budget amendments obligated the Town to ongoing operational expenditures of approximately \$363,394 and that final reserve fund expenditures for Fiscal Year 2025 totaled \$1,734,825, \$1.2 million more than originally budgeted. OSA determined that these findings warranted further investigation to identify the underlying causes of the loss and assess the risk of future occurrences.

OSA Recommendation #1:

The Town should establish thresholds for minimum unrestricted reserve fund balances which are in alignment with guidance provided by the Local Government Budget and Fiscal Control Act (Chapter 159 of the North Carolina General Statutes),⁷ the North Carolina League of Municipalities, a Certified Public Accounting (CPA) Service, or the UNC School of Government.

Town of Hope Mills Corrective Action – Finance Department: To more effectively align with North Carolina General Statutes and other applicable governmental regulations, the Town of Hope Mills will adopt a formal Fund Balance Policy that limits the appropriation of fund balance to no more than 3% of the total budget. The Town will utilize the Local Government Commission’s Fund Balance Policy as a guided framework to ensure that the policy ultimately adopted is consistent with state standards and recognized best practices.

Timetable For Completion: 1 July 2026

OSA Recommendation #2:

The Town should develop a targeted plan to restore the unrestricted reserve fund balances lost in 2025.

Town of Hope Mills Corrective Action – Finance Department: To align with this recommendation, the Town is actively exploring options to restore reserve funds depleted in Fiscal Year 2025 through an incremental funding approach. A potential strategy under consideration would include earmarking a portion of the property tax rate over a four (4) or five (5) year period. These funds would potentially generate \$1,500,000 and be formally restricted for the specific purpose of replenishing fund balance reserves. The Town will utilize the Local Government Commission’s Fund Balance Policy as a guiding framework to ensure that the policy ultimately adopted is consistent with state standards and recognized best practices.

During the May/June town budget workshops, the town staff and the Town Board of Commissioners will address this potential strategy in concert with the adoption of a formal Fund Balance Policy to restore the reserve funds depleted in Fiscal Year 2025.

Timetable For Completion: 1 July 2026

OSA Recommendation #3:

The Town should limit reserve fund usage to budget approved capital projects.

Town of Hope Mills Corrective Action – Finance Department: The new Fund Balance Policy will also establish restrictions limiting the use of appropriated fund balance to one-time capital items rather than recurring operational costs. This approach reinforces sound financial management while reducing the Town’s reliance on reserves which will comply with this OSA recommendation.

Timetable For Completion: 1 July 2026

OSA Recommendation #4:

The Town should budget for new operational costs in the next fiscal year and delay spending until funds are available.

Town of Hope Mills Corrective Action – Finance Department: In response to recommendations related to emerging operational expenses, the Town will ensure that any new operational costs identified during a budget year are prioritized for inclusion in the following fiscal year budget process, rather than being addressed through unsustainable mid-year funding practices.

Timetable For Completion: 1 July 2026

OSA Recommendation #5:

The Board should receive a financial analysis of all mid-year expenditures to understand their impact on annual reserves before approving budget amendments.

Town of Hope Mills Corrective Action – Finance Department: Currently, the Town Board receives monthly financial statements to monitor the Town’s fiscal position. Moving forward, the Town will also implement additional internal controls and budgetary restrictions designed to reduce and limit the number of annual budget amendments, thereby improving financial planning, oversight, and long-term fiscal stability. In conclusion, town board members should participate in periodic governance and financial oversight training to strengthen their understanding of statutory responsibilities and best practices. Town Staff will also provide annual training to ensure that education and a better level of understanding is established.

Timetable For Completion: On-going throughout the fiscal year

TOWN MANAGER IMPROPERLY AWARDED SALARY INCREASES

Audit Substantiated Allegation: OSA received an allegation that the Town Manager was improperly awarding salary increases to Town employees. Of the seven employees OSA identified as receiving pay increases above the Town’s approved cost of living increase budgeted amounts, 2% for Fiscal Year 2025 and 1.5% for FY 2026, these employees additionally received 0.5% to 10% above what was approved.

OSA Recommendation #1:

The Town should complete PAFs documenting employee salary increases, changes, and promotions as described in the Town’s Human Resources Policy Manual.

Town of Hope Mills Corrective Action – Human Resources Department: To align with this recommendation, the Town will ensure that all Personnel Action Forms (PAFs) contain complete and detailed information necessary to demonstrate compliance with the Town of Hope Mills Personnel Policy. To strengthen internal controls and to improve documentation, staff is also evaluating revisions to the PAF form to incorporate additional review requirements, approval checkpoints, and other administrative safeguards designed to enhance accountability and consistency in personnel actions. The town is also updating the current Personnel Policy to ensure that Performance Action Forms and the process of approvals are more adequately incorporated.

Timetable For Completion: 90 Days

OSA Recommendation #2:

The Town Manager should adhere to all personnel policies established by the Town.

Town of Hope Mills Corrective Action – Town Manager: The Town Manager affirms compliance with all personnel policies established and adopted by the Town. Personnel decisions will be made strictly within the authority and limitations set forth in the Town of Hope Mills Personnel Policy. Staff is in the process of updating the current Personnel Policy and will include language that provides additional administrative controls.

Timetable For Completion: 90 Days

OSA Recommendation #3:

All PAFs completed solely by the Town Manager should include a second approval and review by the HR director prior to processing to ensure that salary increases are in line with established Town policy.

Town of Hope Mills Corrective Action – Town Manager and Human Resources: To align with this recommendation, the updated Personnel Action Form will provide increased internal controls in addition to requiring a second approval by Human Resources. Staff is also finalizing a new Certification Pay Scale Policy for approval by the Board of Commissioners that will establish a structured framework for salary adjustments tied to employee certifications and professional accomplishments. While the current Hope Mills Personnel Policy allows for staff adjustments related to achievements at a rate of 5%, it does not distinguish between the varying values or significance of different certifications.

Under the new policy, each certificate, credential, or documented professional achievement available to employees within each department will be assigned a value ranging from 2.5% to 5%, which will determine the corresponding salary adjustment. Salary adjustments under this process will only be permitted when supported by appropriate documentation and when funding has been planned for within the budget. Once approved by the Board of Commissioners, the new Certification Pay Scale Policy will be incorporated into the final update of the Hope Mills Personnel Policy and reflected within the Town's adopted pay scale.

Timetable For Completion: 90 Days

OSA Recommendation #4:

The Town should ensure that all PAFs are complete and accurate before submitting them for final approval.

Town of Hope Mills Corrective Action – Human Resources and Town Manager: To align with this recommendation, strict compliance with the updated PAF form will be enforced. Department heads will be required to ensure that all proper supporting documentation is in place to include the corresponding adopted policies the request complies with.

Timetable For Completion: 90 Days

OSA Recommendation #5:

The Town should ensure that all pay raises have documented justification for them.

Town of Hope Mills Corrective Action – Human Resources: The adoption of the Certification Pay Scale policy will aid in streamlining increases in salaries through Board of Commissioner approval while also identifying the corresponding supporting documentation that is required. In addition, the update to the Personnel Policy and the amendment to the PAF form will ensure that there are additional layers in place reinforcing compliance with Town adopted policies and procedures.

Timetable For Completion: 90 Days

OSA Recommendation #6:

The Town should ensure there is a segregation of duties when small departments have subordinates acting in interim director roles.

Town of Hope Mills Corrective Action – Town Manager: To align with this recommendation, department heads from each small department will be required to develop and segregation of duties checklist. This will ensure that in the event of long-term staff absences, confidentiality and systems of controls will remain intact.

Timetable For Completion: 90 Days

OSA Recommendation #7:

The Town should convert all employment files into an electronic format to ensure accurate organization and filing.

Town of Hope Mills Corrective Action – Human Resources: Staff will begin to explore the conversion of all personnel files to a digital format to align with this recommendation from OSA.

Timetable For Completion: 90 Days

TOWN ACCOUNTS USED FOR FISHING DERBY FUNDRAISER

Audit Substantiated Allegation Investigative Finding: OSA received an allegation that a Hope Mills Board Commissioner misused Town funds for a Fishing Derby Fundraiser. OSA determined that the Town facilitated the receipt and disbursement of funds to a local nonprofit organization. In a June 12, 2025 email to the Finance Director, the Parks and Recreation Director requested the transfer of \$1,150 from the Fishing Derby Fund to the Cultural Arts account for payment to the nonprofit. During our inquiry, Town leadership stated that the Town was an intermediary for this event and that the Town did not host the event. OSA performed additional research to determine if North Carolina General Statutes (N.C.G.S.) allow for this type of disbursement and determined the following:

- If a city or county grants or appropriates \$1,000 or more in any fiscal year to a nonprofit corporation or organization, the city or county may require that nonprofit organization to have an audit performed in the fiscal year in which they receive the funds.

Based on the information provided by Town Officials and documentation provided, OSA substantiated the allegation.

OSA Recommendation #1:

The Town Board should ensure that it complies with N.C.G.S. § 159-13 by approving budget ordinances when appropriating revenues for specific purposes during a fiscal year no later than July 1st.

Town of Hope Mills Corrective Action – Finance Department: The Town affirms that it remains in compliance with the applicable provisions of the North Carolina General Statutes (NCGS) governing budget ordinances and the administration of revenues and expenditures.

Timetable For Completion: Immediate

OSA Recommendation #2:

The Town should ensure that the Town complies with N.C.G.S. § 159-8(a) by accounting for all monies received and expended in their budget ordinance.

Town of Hope Mills Corrective Action – Finance Department: The Town currently complies with NC General Statutes with regard to revenues and expenditures. The Town also acknowledges that any receipt and disbursement of funds of this nature must be formally recognized through the appropriate budget amendment process in accordance with statutory and accounting requirements.

Timetable For Completion: Immediate

OSA Recommendation #3:

The Town should ensure that the Board makes the proper amendments as deemed necessary by N.C.G.S. § 159-15.15e

Town of Hope Mills Corrective Action – Finance Department: Proper budget amendments are required with this type of receipt and expense. As a corrective measure, the Town will not permit charitable receipts or related expenditures to be processed in this manner in the future. Any similar activity, if presented, will be denied unless it is structured, authorized, and accounted for in full compliance with applicable legal, budgetary, and financial reporting requirements.

Timetable For Completion: Immediate

OSA Recommendation #4:

Pursuant to N.C.G.S. § 159-40, the Town should consider requesting an audit report of charities receiving public funds of at least \$1,000 when the Town sends funds on behalf of another party.

Town of Hope Mills Corrective Action: Because the Town is prohibiting the practice of sending funds on behalf of another party going forward, and because no similar transactions will be authorized under the current control framework, the Town does not anticipate the need to request a separate audit report for comparable activity in the future.

Timetable For Completion: Immediate

TRAVEL AND TRAINING EXPENDITURES OVER SPENT

Partially Substantiated Allegations: OSA received an allegation that the Town spent \$18,000 on travel and training, despite the Town budgeting only \$10,000 for these expenses. As part of this allegation, the complainant stated that the Town incurred expenses totaling \$18,000 for a single training event, despite having an approved annual training budget of \$10,000. OSA reviewed the Town's approved travel and training budget and associated expenditure account for the Fiscal Year 2025. A comparison of the Town's expenditures showed the Town's actual travel and training expenditures only exceeded budgeted amounts by \$622. Moreover, because the Town has multiple travel and training events throughout the year, this overage is not attributable to a single event. Although the Town only overspent the overall travel and training budget by \$622, OSA identified five departments which exceeded their annual travel and training budgets by more than \$2,000, with an aggregate overage of \$16,873.

OSA Recommendation #1:

In order to reduce the risk of over reimbursement of travel expenditures, the Town should revise their travel policy to reimburse employees for actual expenses incurred rather than estimated travel costs. The Town should limit travel advances, clearly define these advances, and issue reimbursements only for the actual amount of the expense.

Town of Hope Mills Corrective Action – Finance Department: The Town of Hope Mills is currently in the process of adopting updates to its Travel, Training, and Procurement Policy to strengthen internal controls, improve fiscal oversight, and ensure expenditures remain within approved budgetary limits. The policy is ready for adoption but is being internally reviewed for effectiveness and compliance with local and state adopted policies and procedures.

Timetable For Completion: 90 Days

OSA Recommendation #2:

The Town should ensure that travel reimbursements for all departments are accurate and dependable before the Finance Director and Town Manager approve.

Town of Hope Mills Corrective Action – All Internal Departments: Effective immediately, each department will be required to review its available budgeted appropriations prior to submitting any request for travel, training, or related expenditures. Department heads will be responsible for verifying that sufficient funds are available within their adopted budget before any request is forwarded for approval.

This updated process is intended to ensure that all travel and training expenditures are:

- necessary and justified for Town operations,
- supported by available appropriations,
- consistent with adopted policy and budget authority, and
- reviewed in advance to prevent unauthorized or unbudgeted spending.

Requests submitted without confirmation of available funding, or outside of approved budget authority, will not be approved unless and until appropriate budget amendments or governing board authorization have been obtained, as required. This policy update reflects the Town's commitment to stronger financial accountability, compliance, and responsible stewardship of public funds.

Timetable For Completion: 90 Days

POLICE OVERTIME PAY

Audit Partially Substantiated Allegations Investigative Finding: OSA received an allegation that the Town paid their police officers overtime wages without approval from the Board. OSA investigators reviewed the Town's Personnel Policy, which is applicable to the Town's Police Department. This policy does not require that the police department obtain Board approval when determining whether sworn police officers receive either compensatory (comp) time or overtime pay for working over 171 hours in a 28-day cycle. The Town police department has chosen to compensate its eligible officers with overtime pay as opposed to comp time. While this is not a violation of policy, this comes at a higher cost to the Town. Based on the information reviewed, OSA determined this allegation to be unsubstantiated.

OSA Recommendation #1:

As part of the Town's Personnel Policy, the Town should document specifically whether sworn police officers are to receive overtime pay or compensatory time off.

Town of Hope Mills Corrective Action - Town Manager and Human Resources: The Town of Hope Mills began enforcing its current Personnel Policy on January 1, 2026, with respect to employee compensation practices related to overtime and compensatory time. Under this new enforcement approach, overtime compensation has been eliminated except in instances where holiday pay is utilized in accordance with policy. In place of overtime compensation, eligible employees will earn compensatory time ("comp time") in accordance with the Town's established personnel procedures and applicable employment regulations.

This change was implemented to strengthen internal payroll controls, improve consistency in compensation practices across departments, and ensure personnel expenditures are managed within approved budgetary and policy parameters.

Moving forward:

- Overtime pay will not be authorized except where specifically permitted under the Personnel Policy;
- Compensatory time will be accrued in lieu of overtime compensation for eligible employees;
- Department heads and supervisors will be responsible for ensuring that employee time is managed in compliance with the policy; and
- Payroll and administrative review procedures will be used to ensure adherence to the Town's approved compensation structure.

This enforcement reflects the Town's commitment to greater fiscal accountability, policy compliance, and improved oversight of payroll related expenditures.

Timetable For Completion: Immediate

TOWN MANAGER AWARDED A CONSULTING CONTRACT DUE TO BIAS

Audit Partially Substantiated Allegations Investigative Finding: OSA received an allegation that the Town Manager awarded a contract to a consultant based upon the consultant's spousal relationship with the Programs Coordinator. OSA gleaned the Programs Coordinator was not a Town employee on the date the Town contracted with the consultant. Thus, any allegation of nepotistic behavior related to the contract award is without merit and thus, the allegation is unsubstantiated

Areas of Concern: As part of our examination of the contract between the Consultant and the Town, OSA investigators determined that the contract did not comply with the preaudit requirements outlined in NC General Statutes. Specifically, the contract lacked the required preaudit certification by the Town's Finance Director, as mandated under State law. Additionally, OSA identified that the contract may not have adhered to the Town's Procurement Policy, which outlines requirements for the use of competitive bidding processes for consultant contracts. Based on the documentation reviewed, OSA concluded that these issues constitute additional areas of concern.

OSA Recommendation #1:

The Town should ensure that the Finance Director reviews all contracts to confirm the contracts comply with State preaudit requirements outlined in the Town's Procurement Policy.

Town of Hope Mills Corrective Action – Finance Department (procurement office): As part of its corrective action efforts, the Town is proceeding with updates to its Travel, Training, and Procurement Policy to strengthen internal controls and ensure full compliance with applicable State statutes, Town policies, and procurement requirements. Moving forward, compliance with all government contracting procedures, purchasing thresholds, approval requirements, and pre-audit obligations under NC General Statutes will be strictly enforced without exception.

Timetable For Completion: Immediate

OSA Recommendation #2:

The Town should provide additional clarification for when consultant contracts must adhere to the competitive bidding process.

Town of Hope Mills Corrective Action – Town Manager and Finance Department: To address prior deficiencies and reduce the risk of noncompliance, the Town Manager will implement a formalized contract routing, review, and approval process for all contracts, agreements, and procurement related transactions. This process will establish clearer accountability, improve procurement oversight, and reinforce segregation of duties by ensuring that administrative review, financial review, pre-audit certification, and final authorization occur in the proper sequence before any obligation is incurred or agreement is executed. These measures are intended to ensure that all contractual and procurement actions are properly reviewed, legally compliant, financially authorized, and supported by appropriate documentation prior to approval or execution.

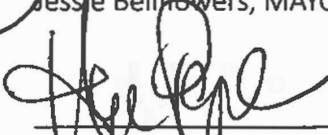
Timetable For Completion: 90 Days

CONCLUSIONS


The Town Board of Commissioners and Town Manager share responsibility for ensuring effective governance, fiscal integrity, and public trust. As the municipality's governing body, the Town Board provides oversight by setting clear expectations, establishing policy, and monitoring performance to safeguard the Town's interests. The Town Manager, in turn, implements town board adopted polices, along with preparing and administrating the town operating budget, manages and provides oversight on all daily department operations to ensure they deliver services efficiently, and advising the Town Board on strategic and operational matters. The Town Manager is responsible for carrying out policy decisions enforced by the Town Board of Commissioners and also ensures all departments carry out the Town's vision, mission, and values.

The Town extends its appreciation to the Office of the State Auditor for its professionalism, diligence, and patience throughout the course of this investigation. The Town fully acknowledges and respects the critical role your agency serves in safeguarding public trust and ensuring that North Carolina municipalities operate in a lawful, transparent, and fiscally responsible manner. This investigation has underscored the importance of strict adherence to adopted policies, sound internal controls, and full compliance with applicable North Carolina General Statutes. The Town accepts the seriousness of these matters and is committed to taking the corrective actions necessary to strengthen accountability, improve oversight, and prevent similar issues from occurring in the future.


Jesse Bellflowers, MAYOR


Hope Page, MAYOR PRO-TEM


Bryan Marley, COMMISSIONER


Lisa Tremmel, COMMISSIONER

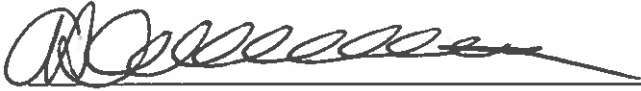

Grilley Mitchell, COMMISSIONER


Cynthia Hamilton, COMMISSIONER



Chancer F. McLaughlin, TOWN MANAGER

Attested By:



Ashley Wyatt, TOWN CLERK

4-10-26

Date

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:**

Telephone: 1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

We note that this investigation was not exhaustive and OSA cannot guarantee the absence of any wrongdoing. Furthermore, this investigation does not preclude the possibility of future allegations, whether similar or different in nature, from being subject to investigation or audit by OSA.

OSA has provided a copy of this Investigation Summary to Town of Hope Mills Leadership and has published it online for review by Town Leadership, Town citizens, and the citizens of North Carolina.