

The Town of Spring Lake

BOARD OF ALDERMEN

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CHARTERED IN 1951

OFFICE OF THE MAYOR

Chris V. Rey, Mayor

ADMINISTRATION

Addison "Tad" Davis IV, Town Manager
Rhonda D. Webb, Town Clerk
Robert A. "Tony" Buzzard, Town Attorney

January 9, 2017

Mayor Chris V. Rey
Spring Lake Board of Aldermen
300 Ruth Street
Spring Lake, NC 28390

Ladies and Gentlemen:

Pursuant to the guidance outlined in the Charter of the Town of Spring Lake Audit Review Committee, the Audit Review Committee has completed our review of the "questionable" transactions identified by the North Carolina State Auditor's Office in their "Investigative Report, June 2016" and submits the attached report to the Board of Aldermen. The results of our detailed review of the "questionable" transactions, along with our findings and recommendations for corrective action are contained within this report.

I would also like to commend the members of the Committee for their hard work, attention to detail, and dedicated public service in support of completing our "Audit Review Report, January 2017". The members of the Committee and the selected administrative support staff from the Town contributed a collective total of well over 2,000 man hours in support of our review and subsequent preparation of the final report. In particular, the Town of Spring Lake residents, as well as the retired Village Manager from Pinehurst, on the Committee gave selflessly of their personal time to attend Committee meetings and complete multiple take home assignments in support of the overall effort.

Further, I believe that the Board of Aldermen and the residents of Spring Lake can take great pride in knowing that an extremely thorough review was completed by the members of the Committee on their behalf, to include a detailed legal review by the Town Attorney. Finally, as outlined in the Charter of the Town of Spring Lake Audit Review Committee, with the submission of their final report to the Board of Aldermen the Committee is hereby dissolved.

Respectfully submitted,

Larry G. Dobbins
Chair, Audit Review Committee

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Audit Review Report

January 2017



Town of Spring Lake
Audit Review Committee

Executive Summary

Background

In June 2016 the Office of the State Auditor for North Carolina issued an Investigative Report that concluded 63 current or former Town of Spring Lake employees and 3 current or former Board members spent \$122,434.53 on 1,448 “questionable” purchases during the period July 1, 2010 through March 31, 2015. Following the release of the Report, the Board of Aldermen appointed an Audit Review Committee to review the “questionable” purchases to determine those made in support of Town business and those that were not. Upon further review, the Committee actually identified 1,449 “questionable” purchases totaling \$121,550.94.

Findings

Of the 1,449 “questionable” purchases, the Committee identified 1,337 purchases that were in support of Town business and 112 purchases that were not in support of Town business. The 1,337 transactions in support of Town business translated into \$110,583.27 out of the total cost of \$121,550.94 associated with the 1,449 “questionable” purchases.

The 112 transactions not in support of Town business translated into \$10,967.67. Of the \$10,967.67 in “questionable” purchases not in support of Town business, the Committee found that selected current and former Town employees and Board members had previously reimbursed the Town \$4,701.93 leaving an unaccounted for shortfall of \$6,265.74.

Recommendations

1. The Town should ensure that the management controls currently in place to implement the Town’s purchasing card program will continue to be strictly enforced.
2. The Town should seek reimbursement from current and former Town employees for purchases not in support of Town business and consider disciplinary action where warranted.
3. The Town should require newly hired Town employees and newly elected Board members to complete training on the use of Town purchasing cards within the first 30 days of employment.
4. The Town should require all current Town employees who had purchases identified by the Committee as not in support of Town business to complete refresher training on the use of Town purchasing cards.
5. The Town should require all Town employees and Board members to complete annual refresher training on the use of Town purchasing cards, and on the procedures for requesting and completing official travel in support of Town business.
6. The Town should forward copies of the Audit Review Committee’s Report to the District Attorney for Cumberland County, the State Bureau of Investigation, the State Auditor and the Attorney General.

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Audit Review Committee Report

Background

In June 2016 the Office of the State Auditor for North Carolina issued an Investigative Report that concluded 63 current or former Town of Spring Lake employees and 3 current or former Board members spent \$122,434.53 on 1,448 questionable purchases during the period July 1, 2010 through March 31, 2015. (A copy of the entire Report is located in the Committee's Reference Manual.) As outlined in Chart 1.a below, the purchases included 1,410 Bank of America (BOA) purchase card transactions, 19 BB&T Bank credit card transactions, and 19 Accounts Payable checks issued by the Town to specific employees or Board members as reimbursement for services rendered or for out of pocket expenses incurred in support of Town business. In Finding #1 of their report, the State Auditors defined "questionable" purchases as "Purchases that appear unnecessary and/or lacked sufficient documentation and explanation to support Town business." Additionally, during the presentation of their findings and recommendations to the Town's Board of Aldermen, the State Auditors recommended that the Town conduct a further review of the "questionable" purchases to actually determine those in support of Town business and those that were not.

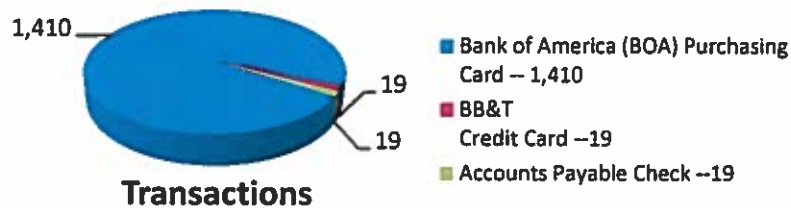


CHART 1.a

Setting

During the period covered by the Investigative Report the Town averaged between 90 to 100 full time employees, the majority of whom were issued a BOA purchasing card following their initial six month probationary period as a Town employee for their use in support of Town business. The Town managed the BOA purchasing card program in accordance with a Town Purchasing Card Policy approved by the Town Manager in January 1, 2010. (A copy of the Town's Purchasing Card Policy, as well as the Town's Travel Policies for Employees and Elected Officials, are available in the Committee's Reference Manual.) As part of the Purchasing Card Policy, each individual issued a BOA purchasing card was required to read the policy, sign a Cardholder Agreement accepting responsibility for the card and pledge to use the card "...only for legitimate, official purposes for, and on behalf of, the Town of Spring Lake." Failure to comply with the policy could result in loss of card privileges, disciplinary action or dismissal from Town employment. However, also during this period, Town employees were encouraged by management to maximize the use of their purchasing cards in support of Town business, often

in lieu of invoices or direct billing, because the Town received an annual rebate from BOA based on the volume and amount of transactions completed throughout the year. In some years the rebate was as much as \$8,895.14 annually (2013). Additionally, over time, there appeared to be an increasingly liberal interpretation of what actually constituted being in support of Town business. This phenomena, combined with a less than thorough accountability of expenditures or routine compliance with the Town's established Purchasing Card Policy, led to a range of "questionable" purchases made by Town employees across the entire organization.

Prior to the arrival of the State Auditors and the start of their investigative activities, the Town Manager resigned from his position and the Town's Interim Finance Director was suspended and later dismissed. An Interim Town Manager and another Interim Finance Director were brought on board to take immediate action to establish full accountability of all financial transactions, as well as develop a plan of corrective action to ensure compliance with existing management controls, curb unnecessary spending, and reduce the overall number of purchasing card transactions.

Town of Spring Lake Audit Review Committee

Following the formal release of the State Auditors Investigative Report, the Board of Aldermen appointed an Audit Review Committee with the stated purpose of reviewing the "questionable" purchases to determine those made in support of Town business and those that were not. As a result of recommendations from the public and several Board members, the makeup of the Committee included several citizens from the Town of Spring Lake as well as a current/former official from another municipality.

The members of the Committee appointed by the Board included the following individuals:

- Mr. Larry Dobbins, Mayor Pro Tem, Chair
- Mr. Tad Davis, Town Manager, Vice Chair
- Ms. Tressie Staten, Citizen of Spring Lake, Member
- Mr. Henry Ponder, Citizen of Spring Lake, Member
- Mr. Andy Wilkison, Former Interim Town Manager and Retired Village Manager of Pinehurst, Member
- Mr. Butch Watson, Finance Director, Secretary (non-voting member)
- Mr. Tony Buzzard, Town Attorney, Legal Advisor (non-voting member)

Audit Review Committee Charter. The Charter approved by the Board established the Town's Audit Review Committee (Appendix A), and charged it with performing the following functions:

- a. Complete a detailed review of the "questionable" transactions identified by the State Auditor's Office in their recently concluded "Investigative Report, June 2016" to determine those made in support of Town business and those that were not.
- b. Provide recommendations on those transactions that are found by the Committee to have not been in support of Town business and which ones may warrant reimbursement to the Town.

- c. Provide recommendations on disciplinary actions for management that did not properly enforce policies and management/staff/Board members that misused their purchasing cards.
- d. Following a legal review by the Town Attorney, the Committee will provide the Board a detailed report of their findings and recommendations upon completion of their review of the “questionable” transactions.

Committee Preparation. Prior to initiating their efforts to review the “questionable” transactions, the Committee met to discuss the findings and recommendations of the State Auditors Investigative Report, June 2016 and study the language contained in key Town policies bearing on the situation, to include the following: Town Purchasing Card Policy, Town Employee Travel Policy and the Town Elected Official Travel Policy. (A copy of the Town’s Purchasing Card Policy, as well as the Town’s Travel Policies for Employees and Elected Officials are available in the Committee’s Reference Manual.) The Committee also agreed upon a set of “General Operating Instructions” to guide their decision making during the review process. Further, a deliberate effort was made by the Town staff to reach out to both the current and former Town employees and Board members identified in the Investigative Report and provide them with an opportunity to submit additional supporting documentation that might assist the Committee in their review of the “questionable” transactions. (A copy of the sample correspondence with both current and former Town employees and Board members is available in the Committee’s Reference Manual.)

Review Process. During the course of the review process, the Committee assembled 33 times at Town Hall, initially to review the 1,448 “questionable” transactions identified in the State Auditors Report and later to draft the Committee’s report, as well as archive the information used during the “questionable” transaction review process. Well over 2,000 man hours were spent in support of the effort. In general, the Committee followed the Audit Review Plan outlined below.

Audit Review Plan

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Current Employees	Current Employees	Current Employees	Current Employees	Current Employees Reconciliation
1 to 22 Transactions	23 to 95 Transactions	97 & 158 Transactions	124 & 134 Transactions	
173 Total Transactions	250 Total Transactions	255 Total Transactions	258 Total Transactions	
(31 Employees)	(7 Employees)	(2 Employees)	(2 Employees)	

Phase 6	Phase 7	Phase 8	Phase 9
Former Employees	Former Employees	Former Employees	Former Employees Reconciliation
1 to 22 Transactions	23 to 99 Transactions	110 & 227 Transactions	
94 Total Transactions	82 Total Transactions	327 Total Transactions	
(19 Employees)	(2 Employees)	(2 Employees)	

During the conduct of Committee meetings each member had the opportunity to review the available documentation on each transaction. The deliberations on the transaction were followed by a vote of the entire Committee to determine whether the specific transaction was either “in support of Town business” or “not in support of Town business”. Transactions determined to be “not in support of Town business” required a vote by four of the five members of the Committee. Once the status of the “questionable” transaction was determined by a vote of the Committee, the Secretary completed a Questionable Transaction Review Log to document the decision.

During their review, the Committee maximized the use of various documents to determine the purpose of each “questionable” transaction, to include the following: the file listing the “questionable” transactions provided by the State Auditors, purchase receipts, purchasing card log statements, credit card statements, employee/Board member sworn statements, supervisor sworn statements, Town event calendars, Town budget data, pictures of items purchased and uniform product codes used by individual vendors to identify specific items purchased.

Additionally, the Committee took into consideration Town policies in effect during the period covered by the Investigative Report, as well as generally accepted practices and procedures in place at the time.

Findings

Discrepancies with the State Investigative Report. During the conduct of the audit review by the Committee, several discrepancies with the State Auditors findings were identified requiring amendments to the overall numbers provided by the State Auditors. An additional “questionable” purchase was identified by the Committee that changed the total number of “questionable” purchases from 1,448 to a total of 1,449 that were subsequently reviewed by the Committee. The additional “questionable” purchase was attributed to the Former Police Administrative Assistant who had 55 “questionable” purchases instead of the 54 initially identified by the State Auditors. This revision updates information previously provided in Chart 1.a. As a result of this revision, the “questionable” purchases more accurately included 1,411 Bank of America (BOA) purchase card transactions, 19 BB&T Bank credit card transactions, and 19 Accounts Payable checks issued by the Town to specific employees or Board members as

reimbursement for services rendered or for out of pockets expenses incurred in support of Town business. The revised breakdown in total “questionable” purchases is reflected in Chart 1.b below.

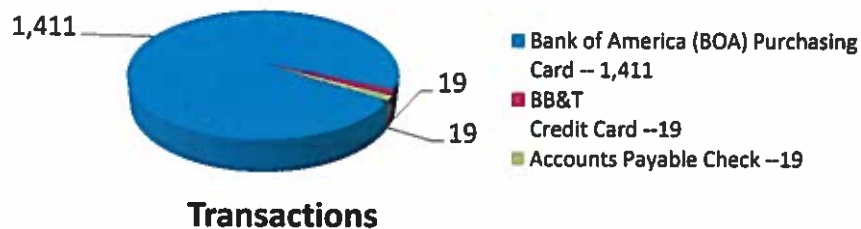


CHART 1.b

Further, the Committee identified a total of 12 transactions that included a total credit of \$883.59 back to the Town as the result of a refund or the return of merchandise. Consequently, the adjusted total amount of the 1,449 “questionable” transactions reviewed by the Committee was \$121,550.94, and not the original amount of \$122,434.53 identified in the State Auditors report. Additionally, the State Auditors chose not to address the financial impact of the \$4,701.93 in reimbursements made by Town employees and Board members, when it was determined by management or the employee that reimbursement was in order for purchases determined to not be in support of Town business.

A detailed spreadsheet that provides a summary of the Audit Review Committee’s findings for each current and former Town employee or Board member is included at Appendix B. These findings are also discussed in greater detail in each of the following paragraphs. Additionally, a second spreadsheet that provides a comprehensive “roll up” of the individual “questionable” transactions identified by the State Auditors that were reviewed by the Committee is available in the Committee’s Reference Manual.

Overview of “Questionable” Transactions. Out of the 1,449 “questionable” transactions outlined in appendix B, the Committee identified 1,337 purchases that were in support of Town business and 112 purchases that were not in support of Town business.

Transactions Supporting Town Business. As indicated in Chart 1.c below, the 1,337 transactions in support of Town business translates into \$110,583.27 out of the \$121,550.94 identified as the adjusted cost associated with the “questionable” purchases of Town employees and Board members.

Transactions Not Supporting Town Business. As indicated in Chart 1.c below, the 112 transactions not in support of Town business translate into \$10,967.67 out of the \$121,550.94 identified as the adjusted cost associated with the “questionable” purchases of Town employees and Board members.

Reimbursement for Transactions Not in Support of Town Business. As indicated in Chart 1.d below, of the \$10,967.67 in “questionable” purchases found not to be in support of Town business, documents reviewed by the Committee indicate that selected current and former Town employees and Board members had previously reimbursed the Town \$4,701.93.

Uncollected Amount. Given that the amount of supported purchases identified above was \$110,583.27, and that employees reimbursed the Town \$4,701.93 (for a total of \$115,285.20) this leaves the Town with a remaining uncollected amount of \$6,265.74.



CHART 1.c

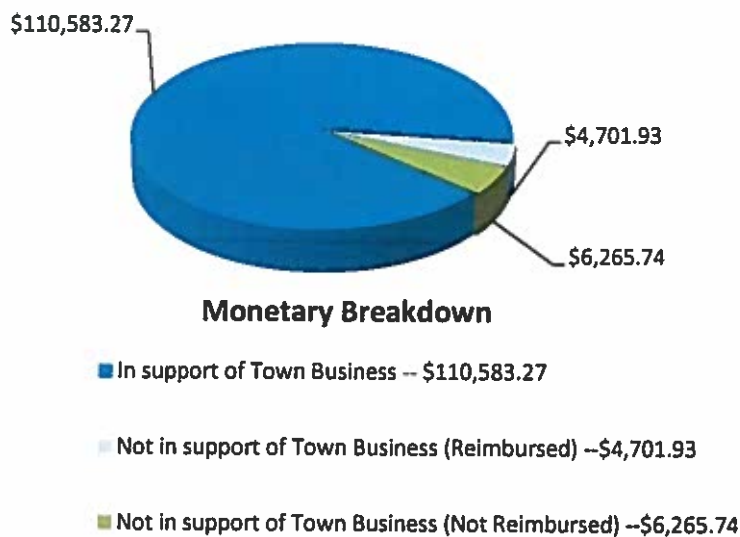


CHART 1.d

Elected Officials

Mayor. The State Auditors identified 25 “questionable” transactions associated with the Mayor totaling \$1,036.96, that were completed between June 2012 and December 2014. Upon further investigation, the Committee determined that all 25 transactions were in support of Town business. The 25 transactions included 21 BOA purchases and 4 Accounts Payable (AP) checks issued to the Mayor by the Town.

Mayor Pro Tem (Former). The State Auditors identified 4 “questionable” transactions associated with the Former Mayor Pro Tem totaling \$557.51 that were completed between July 2010 and November 2014. Upon further investigation, the Committee determined that all 4 transactions were in support of Town business. However, the Former Mayor Pro Tem did reimburse the Town \$10.48 to cover the cost of a breakfast meal for a guest that attended a NC League of Municipalities Conference with him on October 23, 2011. The 4 transactions included 1 BOA purchase and 3 Accounts Payable (AP) checks issued to the Former Mayor Pro Tem by the Town.

Former Board of Alderman Member. The State Auditors identified 6 “questionable” transactions associated with the Former Board of Alderman member totaling \$836.85 that were completed between November 2012 and August 2013. Upon further investigation, the Committee determined that 5 of the 6 transactions were in support of Town business. The single transaction not in support of Town business was a music purchase made to an iTunes account on a Town issued iPad by mistake. iTunes credited the account with \$9.99 and the Former Board of Alderman member reimbursed the remaining amount of \$1.03. All 6 of the transactions were BOA purchases made by the Former Board of Alderman member.

Town Management

Former Town Manager. The State Auditors identified 110 “questionable” transactions associated with the Former Town Manager totaling \$6,626.10, that were completed between September 2011 and March 2015. Upon further investigation, the Committee determined that 67 of the 110 transactions were in support of Town business. The 43 transactions not in support of Town business totaled \$2,315.50, of which \$1,856.26 was previously reimbursed to the Town, leaving an uncollected amount of \$459.24. Additionally, the Former Town Manager directed the Town Clerk to pay for \$382.32 in “products” from Edible Arrangements to be given out as holiday gifts to other municipalities in 2014. The Committee determined that this purchase was not in support of Town business and, since the purchase had been made at the direction of the Former Town Manager, that the \$382.32 cost of the purchase should be reimbursed to the Town by the Former Town Manager and not by the Town Clerk. Consequently, the Committee determined that the Former Town Manager should reimburse the Town a total of \$841.56. Overall, the 110 transactions for the Former Town Manager included 107 BOA purchases and 3 Accounts Payable (AP) checks issued to the Former Town Manager by the Town.

Former Interim Finance Director. The State Auditors identified 227 “questionable” transactions associated with the Former Interim Finance Director totaling \$20,922.77, that were completed between August 2011 and February 2015. Upon further investigation, the Committee determined that 196 of the 227 transactions were in support of Town business. The 30 transactions not in support of Town business totaled \$2,664.47, of which \$161.12 was

reimbursed to the Town leaving an uncollected amount of \$2,503.35. The Committee carefully reviewed the circumstances regarding the transactions not in support of Town business, but in some cases found it very challenging to make a decision because the Former Interim Finance Director failed to provide the Committee with any additional supporting documentation, sworn statements, etc., to substantiate why the purchase had been made. With regard to one purchase in particular, the Thirty-One franchise transaction for \$800.11, the Committee determined that while a valid need was met with the purchase, a more economical solution could have been found. Also, given the fact that the majority of the Thirty-One franchise items are still in use throughout the Town, the Committee is recommending that the Former Interim Finance Director not be required to reimburse the Town for the \$800.11 purchase. Consequently, the Committee determined that the Former Interim Finance Director should reimburse the Town a total of \$1,703.24. Overall, the 227 transactions included 224 BOA purchases and 3 Accounts Payable (AP) checks issued to the Former Interim Finance Director by the Town.

Interim Recreation Director. The State Auditors identified 134 “questionable” transactions associated with the Interim Recreation Director totaling \$28,809.98 that were completed between August 2011 and February 2015. Upon further investigation, the Committee identified \$756.45 in the form of credits/returns associated with the Interim Recreation Director’s account which reduced the total amount of her transactions to \$28,053.53. Further the Committee determined that 124 of the 134 transactions for the Interim Recreation Director were in support of Town business. The 10 transactions not in support of Town business totaled \$4,998.71, of which \$2,125.99 was previously reimbursed to the Town, leaving an uncollected amount of \$2,872.72. The Committee carefully reviewed the circumstances regarding the 10 transactions not in support of Town business; however, with regard to one group of purchases in particular, the Thirty-One franchise transactions totaling \$2,751.08, the Committee determined that while a valid need was met with the purchases, a more economical solution could have been found. Also, given the fact that the majority of the Thirty-One franchise items in question are still in use throughout the Town, the Committee is recommending that the Interim Recreation Director not be required to reimburse the Town for the \$2,751.08 purchase. Consequently, the Committee determined that the Interim Recreation Director should reimburse the Town a total of \$121.64. All 134 of the transactions for the Interim Recreation Director were BOA purchases.

Town Clerk. The State Auditors identified 124 “questionable” transactions associated with the Town Clerk totaling \$12,571.03 that were completed between October 2011 and February 2015. Upon further investigation, the Committee determined that 123 of the 124 transactions were in support of Town business. The single transaction not in support of Town business was made by the Town Clerk at the direction of the Former Town Manager, who instructed her to pay for \$382.32 in “products” from Edible Arrangements, that were given out as holiday gifts to other municipalities in December 2013. The Committee determined that this purchase was not in support of Town business and, since the purchase had been made at the direction of the Former Town Manager, that the \$382.32 cost of the purchase should be reimbursed to the Town by the Former Town Manager and not by the Town Clerk. All 124 of the transactions for the Town Clerk were BOA purchases.

Police Chief. The State Auditors identified 31 “questionable” transactions associated with the Police Chief totaling \$2,953.34, that were completed between July 2012 and February 2015.

Upon further investigation, the Committee determined that all 31 transactions were in support of Town business. The 31 transactions included 29 BOA purchases, 1 BB&T purchase and 1 Accounts Payable (AP) check issued by the Town for \$35.00, that was subsequently voided. Consequently, given the reduction in the amount of the voided check, the total amount of the 31 transactions associated with the Police Chief is \$2,918.34.

Fire Chief. The State Auditors identified 49 “questionable” transactions associated with the Fire Chief totaling \$1,737.29, that were completed between October 2011 and January 2015. Upon further investigation, the Committee determined that 45 of the 49 transactions were in support of Town business. The 4 transactions not in support of Town business were 3 music purchases and 1 math tutorial application purchase charged to an iTunes account on a Town issued iPad by mistake. The 4 transactions not in support of Town business totaled \$24.13, all of which was previously reimbursed to the Town leaving no uncollected balance. All 49 of the transactions were BOA purchases made by the Fire Chief.

Senior Center Director. The State Auditors identified 97 “questionable” transactions associated with the Senior Center Director totaling \$7,535.34, that were completed between October 2011 and October 2014. Upon further investigation, the Committee determined that all 97 transactions were in support of Town business. All 97 of the transactions were BOA purchases made by the Senior Center Director.

Human Resources Director. The State Auditors identified 33 “questionable” transactions associated with the Human Resources Director totaling \$3,300.27, that were completed between November 2013 and December 2014. Upon further investigation, the Committee determined that all 33 transactions were in support of Town business. All 33 of the transactions were BOA purchases made by the Human Resources Director.

Observations

Travel. The majority of the “questionable” transactions associated with Town Employee and Board member travel were determined by the Committee to have been conducted in accordance with the Town’s travel policies in effect at the time. However, greater attention to detail needs to be placed on the accountability of meal purchases, as well as the completion of required documentation upon the conclusion of approved travel. In a number of cases Town employees failed to provide receipts for meals purchased while on travel. Further, it appears that neither supervisors, nor the Town’s Finance Department, followed a consistent process to review completed travel documents and reconcile travel expenses against authorized funding levels to support travel in the annual budget. The travel policies for Town employees and Board members were revised in November 2015 and are currently being used to more thoroughly ensure compliance with official Town travel.

Food Purchases. A significant number of the “questionable” transactions involved the purchase of food for a variety of occasions, most were incorporated into the Town’s annual budget and were generally determined by the Committee to be in support of Town business. Purchases for larger Town wide events organized and hosted by the Senior Center and/or the Recreation Center in particular, could be handled more efficiently by developing more detailed shopping lists and consolidating purchases to gain economies of scale, while also reducing multiple trips to the store for individual events. Large quantities of bottled water and Gatorade were purchased by

multiple Town departments in support of day-to-day employee activities. The “questionable” transactions reviewed by the Committee included 286 cases of water and 117 cases of Gatorade. Consequently, the Town might want to look at their overall annual requirements for bottled water and Gatorade to determine if there is a more cost effective way to bulk purchase these items. It was also determined, that while food purchases were warranted in support of various Town employee staff meetings and other teambuilding activities, overall the use of Town funds for such functions needs to be reviewed and, in many cases, curtailed. Current changes to Town policies and previously accepted procedures have already been changed to reduce the number of events supported by Town funds.

Special Occasion Purchases. Several of the “questionable” transactions involved purchases for a variety of occasions, to include sending flowers and a sympathy card for the hospitalization or death of a Town employee or an immediate family member, gifts for newborn babies of Town employees and purchases made in conjunction with birthday celebrations for Town employees. While occasions such as these are important events in the lives of those who work on behalf of the Town and their immediate families, there was not a uniform process in place to properly manage such purchases across all Departments within the Town. A Town policy has been developed to cover the expenses associated with the death or illness/hospitalization in the immediate family of a Town employee or Board member. Purchases associated with newborn babies or birthday celebrations have been curtailed.

Fall Festival Haunted House Decorations. The Committee identified a number of purchases within the Parks and Recreation Department done in support of the Town’s annual Fall Festival. For many years, the centerpiece of the Fall Festival was a very elaborate Haunted House constructed by the Parks and Recreation Department using a multitude of items purchased with Town funds. Over the course of the past two years the Park and Recreation Department did not include the Haunted House venue as part of the Fall Festival. The Committee believes that the Town should first and foremost inventory all of the items purchased in support of the Haunted House and make a determination regarding which items might be used in the future and those that will probably no longer be needed by the Town. Those identified as no longer needed by the Town should be sold as surplus.

Wellness Committee Purchases. During the period covered by the State Auditors Report, the Town had an active Wellness Committee established to promote more healthy lifestyles for Town employees and the residents of Spring Lake. A number of purchases were made in support of the Wellness Committee by the Former Interim Finance Director in particular. These purchases were made in support of health and wellness initiatives for the Town and included some of the following items: fitness DVDs, healthy lifestyle cookbooks, and individual exercise equipment to include dumb bells, kettle bells, jump ropes, exercise mats and exercise bands. During the course of the Committee’s investigation, the Town consolidated the fitness items and conducted an inventory of the property. The Committee believes that the Town should consider transferring the fitness items to the Parks and Recreation Department as well as the Senior Enrichment Program, to enable use of the items by Town employees and Town residents. Fitness items determined to have no practical use by the Town should be sold as surplus.

Legal Review

As required by the Charter establishing the Audit Review Committee, a legal review of the Audit Review Committee's Audit Review Report, January 2017 was completed by the Town Attorney (Appendix C). Upon review of the Committee's Audit Review Report, the Town Attorney found that the "...documents are in accordance with adopted procedures, satisfy the goals for which the committee was designed and have no reason to disagree with any of the determinations made by the committee."

Recommendations

1. The Town should ensure that the management controls currently in place to implement the Town's purchasing card program will continue to be strictly enforced, to include limited distribution of purchasing cards to Town employees, monthly Town Manager reconciliation and quarterly Board of Aldermen reviews.
2. The Town should seek reimbursement from current and former Town employees for purchases not in support of Town business as outlined in Appendix B and consider disciplinary action where warranted.
3. The Town should require all newly hired Town employees and newly elected Board members to complete training on the use of Town purchasing cards and on the procedures for requesting and completing official travel in support of Town business within the first 30 days of employment.
4. The Town should require all current Town employees who had purchases identified by the Committee as not in support of Town business to complete refresher training on the use of Town purchasing cards, and on the procedures for requesting and completing official travel in support of Town business.
5. The Town should require all Town employees and Board members to complete annual refresher training on the use of Town purchasing cards, and on the procedures for requesting and completing official travel in support of Town business.
6. The Town should forward copies of the Audit Review Committee's Report to the District Attorney for Cumberland County, the State Bureau of Investigation, the State Auditor and the Attorney General.

APPENDIX A
AUDIT REVIEW COMMITTEE CHARTER

CHARTER
of the
TOWN OF SPRING LAKE
AUDIT REVIEW COMMITTEE

The Town of Spring Lake, hereinafter referred to as the "Town", has appointed a Committee in order to review the "questionable" transactions identified by the State Auditor's Office as outlined in their recently concluded "Investigative Report, June 2016" regarding the use of purchasing cards by Town of Spring Lake employees.

Under the authority of the Town of Spring Lake Board of Aldermen, said Committee is hereby organized and constituted as follows:

I: Name

The name of this Committee shall be the Audit Review Committee.

II: Purpose

The purpose of this Committee shall be to review the "questionable" transactions identified by the State Auditor's Office as outlined in their recently concluded "Investigative Report, June 2016" to determine those made in support of Town business and those that were not. (Page 2 of the Auditor's Report defines "questionable" transactions as "Purchases that appear unnecessary and/or lacked sufficient documentation and explanation to support Town business.")

III: Membership

The Committee shall be appointed by the Board of Aldermen and shall be comprised of five (5) members, to include the following: Mayor Pro Tem, Town Manager, two (2) citizens of Spring Lake, and one (1) representative with recent municipal government experience.

All members shall serve during the duration of the Committee's review of the "questionable" transactions.

The Finance Director shall serve as an ex-officio member and shall not have voting status.

IV: Officers and Duties

The Mayor Pro Tem will serve as the chair and the Town Manager will serve as the vice chair. Officers shall assume office once establishment of the Committee has been approved by the Board.

The chair shall conduct all meetings of the Committee, and have the right to vote on all matters of business transacted by the Committee.

The vice chair shall serve in the place of the chair if the chair is absent or unable to fulfill the duties of the chair.

The Finance Director will serve as secretary to the Committee and record the minutes of all meetings of the Committee. With the concurrence of the chair, the secretary will develop the proposed agenda for each meeting as well as organize any administrative support required by the Committee.

The Town Attorney will be available on an "as needed" basis throughout the Committee's deliberations to provide legal counsel and technical assistance as might be required by the Committee.

V: Meetings

The frequency of meetings will be determined by the Chair in consultation with the members in an effort to conclude the review of "questionable" transactions as deliberately as possible.

A summary of the proceedings for each meeting shall be kept by the committee secretary in the form of minutes.

The Committee shall conduct their meetings in closed session to ensure proper consideration of privacy act confidentiality and privilege requirements associated with the investigation and possible Committee recommendations regarding individual Town employee reimbursements to the Town, in addition to recommendations as to possible disciplinary action.

VI: Voting

Each voting member shall have one vote and may only vote when present.

No member shall abstain from a vote unless the member has a specific conflict of interest in the issue being voted upon.

The Committee shall determine the manner and procedure for voting but no vote on any matter shall be rendered by less than a simple majority.

VII: Functions

The Committee shall perform the following functions:

Complete a detailed review of the "questionable" transactions identified by the State Auditor's Office in their recently concluded "Investigative Report, June 2016" to determine those made in support of Town business and those that were not.

Provide recommendations on those transactions that are found by the Committee to have not been in support of Town business and which ones may warrant reimbursement to the Town.

Provide recommendations on disciplinary actions for management that did not properly enforce policies and management/staff/Board members that misused their purchasing cards.

Following a legal review by the Town Attorney, the Committee will provide the Board a detailed report of their findings and recommendations upon completion of their review of the "questionable" transactions.

VIII: Dissolution

Upon submission of a final report to the Board on the "questionable" transactions, the Committee shall be dissolved.

IX: Amendment

The Charter of this Committee may be amended from time to time upon the recommendation of a simple majority of the Committee to the Board of Aldermen and the approval of said amendments shall be made by the Board of Aldermen.

Approved this 25th day of July, 2016.



Chris V. Rey
Mayor

ATTEST:

Rhonda D. Webb, MMC, NCCMC
Town Clerk

RESOLUTION (2016) 18

A RESOLUTION OF THE BOARD OF ALDERMEN OF THE TOWN OF SPRING LAKE, NC; ESTABLISHING AN AUDIT REVIEW COMMITTEE AND APPROVING THE CHARTER FOR SAID COMMITTEE.

WHEREAS, The Spring Lake Board of Aldermen, on July 11, 2016, approved the establishment of an Audit Review Committee in order to review the "questionable" transactions identified by the State Auditor's Office as outlined in their recently completed "Investigative Report, June 2016" regarding the use of purchasing cards by the Town of Spring Lake; and

WHEREAS, The Charter will provide the necessary guidance for the overall purpose, organization, and functions of the Audit Review Committee; and

WHEREAS, The Spring Lake Board of Aldermen desires to create an audit review committee for this reason.

NOW, THEREFORE, BE IT RESOLVED BY THE SPRING LAKE BOARD OF ALDERMEN OF THE TOWN OF SPRING LAKE, THAT:

Section 1. The attached Audit Review Committee is hereby created.

Section 2. The attached Audit Review Committee is hereby adopted.

Section 3. The attached Charter is effective immediately upon adoption of this resolution.

Adopted this 25th day of July, 2016

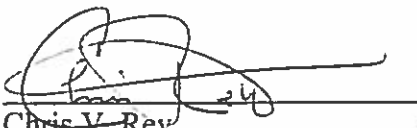
YEAS

Mayor Pro Tem Larry Dobbins
Aldерwoman Densie Lucas
Alderman James O'Garra


NOES

Aldерwoman Fredricka Sutherland




Chris V. Rey
Mayor

Attest:


Rhonda D. Webb, MMC, NCCMC
Town Clerk

APPENDIX B
AUDIT REVIEW SUMMARY

AUDIT REVIEW SUMMARY

S = Purchases in Support TR = # of Purchases Not in Support
 NS = Purchases Not in Support R = Reimbursed Purchases

	A		B	C		D	E	F	G	H	I	J	K	L									
	State Audit			Audit Committee Review Results - Reported for Each Employee/Board Member Audited																			
	# Trans	Amount		Purchases/Ch Returned	Adj. Audit Amt (C - D)										S Purchases (E - H)	TR	NS Purchases	R Purchases	Adjusted Totals (F + I)	Uncollected (H - I)	Audit Rev. Adj. (J + K)		
1	Interim Recreation Director	134	\$ 28,809.98	\$ 756.45	\$ 28,053.53	\$ 23,054.82	10	\$ 4,998.71	\$ 2,125.99	\$ 2,872.72	\$ 2,872.72	\$ 28,053.53											
2	*Interim Finance Director	227	\$ 20,922.77	\$ -	\$ 20,922.77	\$ 18,258.30	30	\$ 2,664.47	\$ 161.12	\$ 2,503.35	\$ 2,503.35	\$ 20,922.77											
3	Town Clerk***	124	\$ 12,571.03	\$ -	\$ 12,571.03	\$ 12,188.71	1	\$ 382.32	\$ -	\$ 382.32	\$ 382.32	\$ 12,571.03											
4	Senior Center Office Assistant	158	\$ 9,922.69	\$ -	\$ 9,922.69	\$ 9,922.69		\$ -	\$ -	\$ -	\$ -	\$ 9,922.69											
5	Senior Center Director	97	\$ 7,535.34	\$ -	\$ 7,535.34	\$ 7,535.34		\$ -	\$ -	\$ -	\$ -	\$ 7,535.34											
6	*Town Manager	110	\$ 6,626.10	\$ -	\$ 6,626.10	\$ 4,310.60	43	\$ 2,315.50	\$ 1,856.26	\$ 459.24	\$ 459.24	\$ 6,626.10											
7	Human Resources Director	33	\$ 3,300.27	\$ -	\$ 3,300.27	\$ 3,300.27		\$ -	\$ -	\$ -	\$ -	\$ 3,300.27											
8	Assistant Fire Chief	54	\$ 3,149.72	\$ -	\$ 3,149.72	\$ 3,087.00	5	\$ 62.72	\$ 62.72	\$ -	\$ -	\$ 3,149.72											
9	Police Chief	31	\$ 2,953.34	\$ 35.00	\$ 2,918.34	\$ 2,918.34		\$ -	\$ -	\$ -	\$ -	\$ 2,918.34											
10	*Finance Director	29	\$ 2,919.66	\$ -	\$ 2,919.66	\$ 2,919.66		\$ -	\$ -	\$ -	\$ -	\$ 2,919.66											
11	*Police Administrative Assistant	55	\$ 2,423.84	\$ -	\$ 2,423.84	\$ 2,391.75	3	\$ 32.09	\$ -	\$ 32.09	\$ 32.09	\$ 2,423.84											
12	Public Works IT Technician	26	\$ 2,280.95	\$ -	\$ 2,280.95	\$ 2,280.95		\$ -	\$ -	\$ -	\$ -	\$ 2,280.95											
13	Fire Chief	49	\$ 1,737.29	\$ -	\$ 1,737.29	\$ 1,713.16	4	\$ 24.13	\$ 24.13	\$ -	\$ -	\$ 1,737.29											
14	*Police Training Sergeant	14	\$ 1,397.76	\$ -	\$ 1,397.76	\$ 1,336.48	2	\$ 61.28	\$ 61.28	\$ -	\$ -	\$ 1,397.76											
15	Public Works Maintenance Superv.	14	\$ 1,273.67	\$ -	\$ 1,273.67	\$ 1,197.67	1	\$ 76.00	\$ 76.00	\$ -	\$ -	\$ 1,273.67											
16	Police Administrative Assistant	28	\$ 1,143.33	\$ -	\$ 1,143.33	\$ 1,143.33		\$ -	\$ -	\$ -	\$ -	\$ 1,143.33											
17	*Water Superintendent	15	\$ 1,086.03	\$ -	\$ 1,086.03	\$ 1,086.03		\$ -	\$ -	\$ -	\$ -	\$ 1,086.03											
18	Building and Ground Maint.	11	\$ 1,085.94	\$ -	\$ 1,085.94	\$ 1,085.94		\$ -	\$ -	\$ -	\$ -	\$ 1,085.94											
19	Mayor	25	\$ 1,036.96	\$ -	\$ 1,036.96	\$ 1,036.96		\$ -	\$ -	\$ -	\$ -	\$ 1,036.96											
20	*Board of Alderman	6	\$ 836.85	\$ -	\$ 836.85	\$ 835.82	1	\$ 1.03	\$ 1.03	\$ -	\$ -	\$ 836.85											
21	Inspections Clerk	4	\$ 679.58	\$ -	\$ 679.58	\$ 679.58		\$ -	\$ -	\$ -	\$ -	\$ 679.58											
22	*Payroll Clerk	19	\$ 605.72	\$ -	\$ 605.72	\$ 597.10	1	\$ 8.62	\$ -	\$ 8.62	\$ 8.62	\$ 605.72											
23	Mayor Pro Tem (Former)	4	\$ 557.51	\$ -	\$ 557.51	\$ 557.51		\$ -	\$ -	\$ -	\$ -	\$ 557.51											
24	Water Operations Crew Leader	4	\$ 426.05	\$ -	\$ 426.05	\$ 426.05		\$ -	\$ -	\$ -	\$ -	\$ 426.05											
25	Street Maintenance Supervisor	22	\$ 393.92	\$ -	\$ 393.92	\$ 393.92		\$ -	\$ -	\$ -	\$ -	\$ 393.92											
26	Battalion Chief of Training	16	\$ 393.72	\$ -	\$ 393.72	\$ 393.72		\$ -	\$ -	\$ -	\$ -	\$ 393.72											
27	*Fire Fighter	8	\$ 389.13	\$ -	\$ 389.13	\$ 389.13		\$ -	\$ -	\$ -	\$ -	\$ 389.13											
28	Fire Captain A Shift	8	\$ 364.18	\$ -	\$ 364.18	\$ 364.18		\$ -	\$ -	\$ -	\$ -	\$ 364.18											
29	Lead Meter Reader	7	\$ 342.87	\$ -	\$ 342.87	\$ 342.87		\$ -	\$ -	\$ -	\$ -	\$ 342.87											

AUDIT REVIEW SUMMARY

S = Purchases in Support TR = # of Purchases Not in Support
 NS = Purchases Not in Support R = Reimbursed Purchases

	A	B	C		D	E										L
			State Audit			Audit Committee Review Results - Reported for Each Employee/Board Member Audited										
			# Trans	Amount		Purchases/Ch Returned	S Purchases (E - H)	TR	NS Purchases	R Purchases	Adjusted Totals (F + I)	Uncollected (H - I)	Audit Rev. Adj. (J + K)			
30	* Recreation Prog. Coordinator	9	\$ 340.57	\$ -	\$ -	\$ 176.94	\$ 340.57	5	\$ 163.63	\$ 156.23	\$ 333.17	\$ 7.40	\$ 340.57			
31	Fire Captain B Shift	8	\$ 336.82	\$ -	\$ -	\$ 336.82	\$ 336.82		\$ -	\$ -	\$ 336.82	\$ -	\$ 336.82			
32	Fleet Maintenance Technician	3	\$ 332.01	\$ -	\$ -	\$ 332.01	\$ 332.01		\$ -	\$ -	\$ 332.01	\$ -	\$ 332.01			
33	* Fire Fighter	4	\$ 330.16	\$ -	\$ -	\$ 330.16	\$ 330.16		\$ -	\$ -	\$ 330.16	\$ -	\$ 330.16			
34	Fleet Supervisor	3	\$ 292.13	\$ -	\$ -	\$ 190.19	\$ 292.13	1	\$ 101.94	\$ 101.94	\$ 292.13	\$ -	\$ 292.13			
35	Revenue Supervisor	2	\$ 291.59	\$ -	\$ -	\$ 291.59	\$ 291.59		\$ -	\$ -	\$ 291.59	\$ -	\$ 291.59			
36	Water Resources Manager	5	\$ 290.58	\$ 85.00	\$ 85.00	\$ 205.58	\$ 205.58		\$ -	\$ -	\$ 205.58	\$ -	\$ 205.58			
37	* Payroll Clerk	9	\$ 272.18	\$ -	\$ -	\$ 272.18	\$ 272.18		\$ -	\$ -	\$ 272.18	\$ -	\$ 272.18			
38	* Fire Fighter	1	\$ 259.19	\$ -	\$ -	\$ 259.19	\$ 259.19		\$ -	\$ -	\$ 259.19	\$ -	\$ 259.19			
39	Accounts Payable Clerk	3	\$ 253.23	\$ -	\$ -	\$ 192.05	\$ 253.23	2	\$ 61.18	\$ 61.18	\$ 253.23	\$ -	\$ 253.23			
40	Utilities Director	4	\$ 212.26	\$ -	\$ -	\$ 212.26	\$ 212.26		\$ -	\$ -	\$ 212.26	\$ -	\$ 212.26			
41	Recreation Program Coordinator	4	\$ 204.50	\$ -	\$ -	\$ 204.50	\$ 204.50		\$ -	\$ -	\$ 204.50	\$ -	\$ 204.50			
42	* Police Administrative Assistant	2	\$ 179.86	\$ -	\$ -	\$ 179.86	\$ 179.86		\$ -	\$ -	\$ 179.86	\$ -	\$ 179.86			
43	Fire Department Admin. Assist.	5	\$ 163.71	\$ -	\$ -	\$ 163.71	\$ 163.71		\$ -	\$ -	\$ 163.71	\$ -	\$ 163.71			
44	* Revenue Collection Supervisor	2	\$ 147.53	\$ -	\$ -	\$ 147.53	\$ 147.53		\$ -	\$ -	\$ 147.53	\$ -	\$ 147.53			
45	* Revenue Division Supervisor	2	\$ 130.87	\$ -	\$ -	\$ 130.87	\$ 130.87		\$ -	\$ -	\$ 130.87	\$ -	\$ 130.87			
46	* Fire Fighter	3	\$ 125.34	\$ -	\$ -	\$ 125.34	\$ 125.34		\$ -	\$ -	\$ 125.34	\$ -	\$ 125.34			
47	Recreation Program Coordinator	7	\$ 119.39	\$ -	\$ -	\$ 110.08	\$ 119.39	2	\$ 9.31	\$ 9.31	\$ 119.39	\$ -	\$ 119.39			
48	Police Lieutenant	4	\$ 110.52	\$ -	\$ -	\$ 105.78	\$ 110.52	1	\$ 4.74	\$ 4.74	\$ 110.52	\$ -	\$ 110.52			
49	* Town Manager	3	\$ 107.70	\$ -	\$ -	\$ 107.70	\$ 107.70		\$ -	\$ -	\$ 107.70	\$ -	\$ 107.70			
50	* Town Hall Admin. Assistant	2	\$ 101.77	\$ -	\$ -	\$ 101.77	\$ 101.77		\$ -	\$ -	\$ 101.77	\$ -	\$ 101.77			
51	Meter Reader	2	\$ 84.75	\$ -	\$ -	\$ 84.75	\$ 84.75		\$ -	\$ -	\$ 84.75	\$ -	\$ 84.75			
52	Police Sergeant	4	\$ 81.15	\$ -	\$ -	\$ 81.15	\$ 81.15		\$ -	\$ -	\$ 81.15	\$ -	\$ 81.15			
53	* Town Manager Admin. Assistant	3	\$ 79.88	\$ -	\$ -	\$ 79.88	\$ 79.88		\$ -	\$ -	\$ 79.88	\$ -	\$ 79.88			
54	Police Department Office Assist.	2	\$ 72.81	\$ -	\$ -	\$ 72.81	\$ 72.81		\$ -	\$ -	\$ 72.81	\$ -	\$ 72.81			
55	* Police Captain	2	\$ 66.93	\$ -	\$ -	\$ 66.93	\$ 66.93		\$ -	\$ -	\$ 66.93	\$ -	\$ 66.93			
56	Fire Fighter	1	\$ 55.00	\$ -	\$ -	\$ 55.00	\$ 55.00		\$ -	\$ -	\$ 55.00	\$ -	\$ 55.00			
57	Fire Fighter	2	\$ 46.29	\$ -	\$ -	\$ 46.29	\$ 46.29		\$ -	\$ -	\$ 46.29	\$ -	\$ 46.29			
58	* Police Officer	3	\$ 45.58	\$ -	\$ -	\$ 45.58	\$ 45.58		\$ -	\$ -	\$ 45.58	\$ -	\$ 45.58			

AUDIT REVIEW SUMMARY

S = Purchases in Support TR = # of Purchases Not in Support
 NS = Purchases Not in Support R = Reimbursed Purchases

A Employee/Board Member	B # Trans	C State Audit Totals		D Purchases/Ch Returned	E Audit Committee Review Results - Reported for Each Employee/Board Member Audited							K Uncollected (H - I)	L Audit Rev. Adj. (J + K)
		Amount	TR		S Purchases (E - H)	NS Purchases	R Purchases	Adjusted Totals (F + I)	J	G	H		
59 Code Enforcement Inspector	4	\$ 30.75	\$ 30.75	\$ -	\$ 30.75	\$ -	\$ -	\$ -	\$ -	\$ 30.75	\$ -	\$ -	\$ 30.75
60 Public Works Director	1	\$ 26.64	\$ 26.64	\$ -	\$ 26.64	\$ -	\$ -	\$ -	\$ -	\$ 26.64	\$ -	\$ -	\$ 26.64
61 Fire Captain C Shift	1	\$ 22.85	\$ 22.85	\$ -	\$ 22.85	\$ -	\$ -	\$ -	\$ -	\$ 22.85	\$ -	\$ -	\$ 22.85
62 *Recreation Director	1	\$ 20.78	\$ 20.78	\$ -	\$ 20.78	\$ -	\$ -	\$ -	\$ -	\$ 20.78	\$ -	\$ -	\$ 20.78
63 Patrol Officer	1	\$ 11.48	\$ 11.48	\$ -	\$ 11.48	\$ -	\$ -	\$ -	\$ -	\$ 11.48	\$ -	\$ -	\$ 11.48
64 *Yard Debris Supervisor	3	\$ 10.17	\$ 10.17	\$ -	\$ 10.17	\$ -	\$ -	\$ -	\$ -	\$ 10.17	\$ -	\$ -	\$ 10.17
65 *Inspection Supervisor	1	\$ 7.14	\$ 7.14	\$ 7.14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66 Waste Water Treatm't Plant ORC	1	\$ 4.22	\$ 4.22	\$ -	\$ 4.22	\$ -	\$ -	\$ -	\$ -	\$ 4.22	\$ -	\$ -	\$ 4.22
**Totals	1449	\$ 122,434.53	\$ 121,550.94	\$ 883.59	\$ 110,583.27	\$ 112	\$ 10,967.67	\$ 4,701.93	\$ 115,285.20	\$ 6,265.74	\$ 121,550.94		
*Denotes former Employee/Board Member													
**Audit Report shows 1448 Trans. Committee report shows 1449.													
(See former Police Admin.Assistant). Total trans = 55 instead of 54.													
***Transaction was directed by former Town Manager, Ken Metcalf, who should be responsible for reimbursement.													

APPENDIX C
LEGAL REVIEW

BUZZARD LAW FIRM

**728 S. MAIN STREET
P.O. BOX 700
LILLINGTON, NORTH CAROLINA 27546
910.893.2900 (o) / 910.758.2457 (f)
www.buzzlawfirm.com**

**ROBERT A. "TONY" BUZZARD
ELISA B. JERNIGAN
JASON P. KIMBLE**

**tbuzzard@buzzlawfirm.com
ejernigan@buzzlawfirm.com
jkimble@buzzlawfirm.com**

**TO: ADDISON "TAD" DAVIS, SPRING LAKE TOWN MANAGER
FROM: ROBERT A. "TONY" BUZZARD, SPRING LAKE TOWN ATTORNEY
RE: REVIEW OF AUDIT REPORT
DATE: JANUARY 5, 2017**

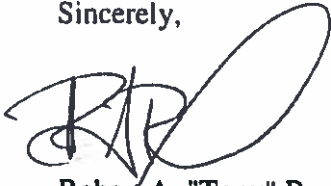
Dear Mr. Davis,

Per your request, and per the adopted resolution of the Audit Review Committee, I am writing in regard to my involvement with, and review of, the Audit Review Committee's final report. As you are aware, I was involved with the State Auditor's Office and their review and report regarding the State's review of the purchasing card program transactions. In that regard, I have reviewed the State Auditors Report, met with the Board regarding that report, met with the State Auditor's office and communicated with the State Auditor's office and their attorney. Further, I have been involved in the process of setting forth a procedure for selecting the Audit Review Board and was present at the vote where public members were selected to serve on the Audit Review Committee. Further, I attended the initial meeting of the Audit Review Committee and worked with the Audit Review Committee in setting guidelines and procedures for their review of all individual transactions.

Further, I was in attendance when initial reviews were made of some of the individual transactions. While it was not economically feasible for me to be present for the massive individual transaction review that was undertaken by the Audit Review Committee, my observations of the transactions reviewed in my presence were that the committee followed the adopted procedure for review of the transactions. Further, the reviews and decision reached by the committee for which I was present appeared to be credible, reasonable and supported by the evidence presented to the committee. From my observation, the committee worked cohesively towards making a decision based on the facts presented. Further, I have reviewed the minutes of each Audit Review Committee meeting and found them to be in accordance with the procedures adopted by the committee.

Lastly, I have reviewed the Audit Review Committee's Executive Summary, the Audit Review Committee's Table of Contents and the Audit Review Committee's Report. I find that these documents are in accordance with the adopted procedures, satisfy the goals for which the committee was designed and have no reason to disagree with any of the determinations made by the committee. In my opinion, the committee appears to have done a thorough job in accomplishing the goals for which the committee was designed and complement you and the committee for a job well done on what I know was a long and complex task. Per the suggestions in the reports, I agree with forwarding the report to the appropriate agencies. If you should have any questions in this regard, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to be 'RAB' with a large, stylized flourish extending to the right.

Robert A. "Tony" Buzzard
BUZZARD LAW FIRM