



*Dale R. Folwell, CPA*

STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON  
DEPUTY TREASURER

May 23, 2022

Dear Mayor Willis and Members of the Town Council (Via Email):

The State and Local Government Finance Division (SLGFD) of the Department of State Treasurer is tasked with oversight of the fiscal health of local governments in the state. The division serves as staff to the Local Government Commission which has significant oversight authority with local government finance.

In September 2021, as the governing board for the Town of Navassa, you signed a Fiscal Accountability Agreement with the Local Government Commission (LGC). As part of that agreement, an in-person visit was held with the Town's Finance Officer/Administrator, Deputy Finance Officer and Budget Officer on May 17, 2022.

As a result of that visit, several items were noted that need immediate attention by the governing board. **The Town has serious operational issues, the details of which are described in the following paragraphs. As stewards of the public's resources, the governing body is responsible for ensuring that the necessary corrective action is taken immediately to improve your Town's financial position and operations. We request that you respond to this letter, addressing each problem and detailing how the Town intends to eliminate its deficiencies.**

**Issue #1 The Finance Officer has turned in her notice of resignation, effective June 3, 2022.**

As a result of this resignation, the governing board must have someone appointed Finance Officer (Interim is acceptable) by the end of the day June 3, 2022, in order to carry out the responsibilities dictated in North Carolina General Statutes (NCGS) 159-24 and 159-25. Without a Finance Officer properly appointed by the Board in a open meeting, the Town will be unable to write checks for its obligations, including debt service, accounts payable or payroll beginning June 4, 2022.

**Issue #2 The governing board must create a transition plan in the absence of a full-time, permanent Finance Officer.**

We recommend the governing board immediately engage the Cape Fear Council of Governments to provide interim assistance as well as assist the Town in the recruitment of a qualified individual to fill the role as a fulltime employee of the Town. The Board should decide on this item in an open meeting.

**Issue #3 The governing board shall adopt an annual budget by July 1, 2022.**

In accordance with NCGS 159-13(a), the governing board must adopt a budget no later than July 1. Without an adopted budget ordinance, the town will not be able to conduct business nor pay any obligations, including payroll or debt service. Budget adoption must be done in a properly noticed official meeting of the Board, in

May 23, 2022

Page - 2

accordance with the timeline dictated in NCGS 159-12. If for whatever reason the Board cannot develop and adopt a proper budget by June 30, the Board should adopt an interim budget in accordance with NCGS 159-16 to allow it to continue to operate until such time a complete budget ordinance can be adopted.

**Issue #4 The Finance Officer currently writes checks, approves checks and reconciles the bank account.**

One employee performing all tasks related to check issuance followed by reconciliation of the bank account, is a significant internal control weakness. The governing body needs to immediately assign the role of reviewer to the Budget Officer, Deputy Finance Officer, or other qualified person. The assigned person should conduct a complete review of all aspects of the bank reconciliation as well as a sign and date an attestation of the review on the face of the bank reconciliation. LGC staff or the staff at Cape Fear COG can assist you in developing a process for reviewing the bank reconciliation that will minimize the internal control risks of having one person complete all these critical functions.

Please respond by May 27, 2022, to our concerns. Responses should be on the Town's letterhead, signed by all board members, and emailed to [unitletter@NCTreasurer.com](mailto:unitletter@NCTreasurer.com). **If you are planning to issue debt that requires the approval of the Local Government Commission, all issues identified above must be addressed to the satisfaction of our staff prior to presentation of the proposed debt application for the Commission's consideration.**

As elected leaders for the Town, you all have a fiduciary responsibility to your taxpayers and your residents to act in their best interests. The Local Government Budget and Fiscal Control Act, NCGS 159 Article 3, repeatedly points to the board as having the ultimate responsibility for the financial well-being of a local government

We are available to assist you in addressing these matters. If you have any questions, please contact Susan McCullen at 919 814-4302 or at [Susan.McCullen@NCTreasurer.com](mailto:Susan.McCullen@NCTreasurer.com).

Sincerely,



Sharon G. Edmundson, MPA, CPA  
Secretary, Local Government Commission  
Deputy Treasurer, State and Local Government Finance Division

cc: Claudia Bray, Town Administrator/Finance Officer  
S. Preston Douglass & Associates, LLP  
Norwood Blanchard, III, Attorney, Crossley McIntosh Collier Hanley & Edes, PLLC  
Chris Nida, North Carolina League of Municipalities  
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