Investigative Report

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

Town of Newland
Newland, NC

August 20, 2026

Photo Credit: Google Maps

The key findings and recommendations in this summary may not be inclusive of all the findings and recommendations in this report.

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
David Epley, Town Manager, Town of Newland

Ladies and Gentlemen:

The North Carolina Office of the State Auditor's (OSA) investigation into the Town of Newland began when investigators received an allegation regarding the Town having a fund imbalance. During its investigation, OSA uncovered additional financial management issues that have been included in this report.

The Town is currently on the Local Government Commission's (LGC) Unit Assistance List and remains out of compliance with requirements for submitting annual financial statement audits. The most recent financial statement audit submitted to the LGC is for fiscal year (FY) 2023 and was not filed until September 2024, approximately 11 months beyond the mandated deadline. The Town also failed to submit required financial statement audits for FY 2024 and FY 2025.

OSA reviewed invoices which showed between September 2023 and January 2024, the former Town Administrator engaged an unlicensed contractor to perform debris cleanup and Town maintenance services, resulting in payments totaling $418,658. OSA determined the work met the statutory definition of general contracting and required a licensed general contractor. The payments were made without contract or approval from the Town Board of Aldermen. OSA requested the Town's procurement policy and determined such a policy was not effective until November 5, 2024. The former Town Administrator was relieved of duties as of August 6, 2024.

When reviewing bank transactions, OSA found the Town received a spoof email from someone impersonating a company the Town was utilizing for business services. The email requested payment by wire transfer. The payment was processed by the Town Finance Officer and later identified as potentially fraudulent by the Town's financial institution. While the Town recovered $66,913 associated with the transaction, $15,210 remains unrecovered.

Additionally, OSA found an individual was serving as Interim Finance Officer without the required bond, and that the Town didn't implement a code of ethics policy or ensure completion of the ethics training required by state law. The Town of Newland has responded to OSA's findings, noting that the Investigative Report has been extremely beneficial to the Town.

Respectfully submitted,

Dave Boliek
State Auditor

August 20, 2026

Town of Newland

WHY WE CONDUCTED THIS INVESTIGATION

The North Carolina Office of the State Auditor (OSA) received an allegation of a chronic fund imbalance involving the Town of Newland, North Carolina (Town). The allegation included a claim that the Town's general fund may have incurred an approximate $300,000 loss over several years without a clear explanation to the Town's Board of Aldermen (Board). During its work, OSA identified additional information relevant to the allegation and included it in this report for completeness and transparency.

OBJECTIVES

- Determine whether the Town's general fund experienced significant monetary loss and assess the circumstances surrounding the use, location, and disposition of the proceeds.
- Determine whether the Board authorized expenditures that contributed to a significant monetary loss affecting the Town.
- Determine whether the Town's Finance Officer implemented adequate internal controls designed to safeguard the Town's financial resources.
- Determine whether the Town's current Interim Finance Officer obtained a faithful performance bond as required by N.C.G.S.§ 159-29.

WHAT WE FOUND

- OSA found that the Town is delinquent in its required annual financial statement audits for fiscal years 2024 and 2025. The Town is currently identified on the Local Government Commission's (LGC) Unit Assistance List (UAL).
- OSA determined that the Town failed to maintain required surety bond coverage, as the current Town Manager was not bonded in that capacity from May 6, 2025, through May 28, 2025, and the Interim Finance Officer position remained unbonded from May 6, 2025, through June 10, 2026; however, the Town obtained the required bond as of June 10, 2026.
- OSA determined that the former Town Administrator bypassed bidding and board oversight in connection with $418,658 in general fund expenditures.

WHAT WE FOUND cont.

- OSA determined that the Town's Board approved a sealed bid that financially benefited Caretaker Services (CTS), a business owned by the then-sitting Mayor, resulting in CTS receiving $63,460. *Note: Caretaker Services is a separate entity from the dissolved Caretaker Services, Inc. The Investigative Report was adjusted accordingly on September 2, 2026.*
- OSA found that the Town's lack of internal controls and procedures created an environment in which potentially fraudulent activity occurred within one of the Town's banking accounts. The Town Finance Officer initiated a wire transfer totaling $82,123 from the Town's banking account to an unknown individual who represented themselves as a vendor of the Town through a spoof email. Currently, $15,210 remains unrecovered.

RECOMMENDATIONS

1. The Town should ensure that future financial statement audits are submitted to the LGC in a timely manner and are in full compliance with LGC guidance.
2. The Board should ensure Finance Officer appointments comply with N.C.G.S. § 159-29, including required bonding, and maintain appropriate segregation of duties or implement compensating controls when roles are combined.

   It should be noted, that although permitted under N.C.G.S. § 159-24, combining the Town Manager and Finance Officer functions weakens segregation of duties and increases the risk of errors, unauthorized transactions, and undetected financial irregularities.
3. The Town should strengthen procurement and financial oversight controls by requiring competitive bidding, contractor licensing verification, documented board approval, and centralized monitoring of project expenditures before committing general fund resources. The Town should also require contracts, itemized invoices and receipts, and the Finance Officer should pre-audit applicable expenditures.
4. The Town should ensure all elected members of the Board continue to complete required ethics training as mandated by N.C.G.S. § 160A-87.
5. The Town should enhance internal controls over electronic payments by requiring independent verification of vendor wire transfer requests, supervisory approval prior to processing payments, and periodic staff training on phishing and vendor impersonation fraud.

State Auditor
Dave Boliek

A Constitutional Office of the State of North Carolina

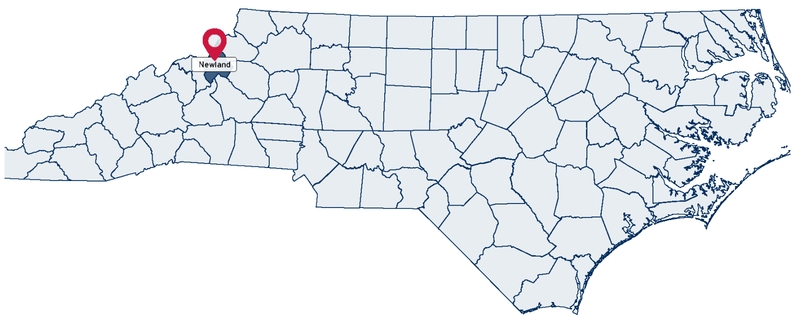
Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce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

Table of Contents

Background

Town of Newland, N.C.

The Town of Newland is located in Avery County, North Carolina and has an estimated population of 715 residents, according to the 2020 United States Census.[1] The Town was officially incorporated in Avery County in 1913 and its Charter was thereafter modified in 1951, 1989, and 2006. Pursuant to the Town's 1989 amended Charter, the Town should be managed by a Board of Aldermen (the Board), which consists of an elected Mayor and five elected members.



According to the North Carolina General Assembly Charter of the Town of Newland, the Town operates under the mayor-council form of government, which means the Board has the authority to appoint, suspend, and remove all of the Town employees.[2] Further, the Town's Board has the authority to organize, reorganize, create, change, abolish, and consolidate city government offices, positions, departments, boards, commissions, and agencies to ensure efficient administration. This authority permits the Board to create positions, such as the Town Administrator position.

According to the March 2024 board meeting minutes, the Board unanimously approved a resolution to amend the Town's charter to change the form of government from a mayor-council structure to a council-manager structure. The April 2024 meeting minutes reflect discussion of this transition, including provisions that would increase the administrator's authority and authorize the Board to appoint a Town Manager (Manager) under contract. The June 2024 meeting minutes show the Board subsequently voted to adopt an ordinance formally implementing the change from a mayor council to a council-manager form of government.[3]

However, as of the date of this report, the North Carolina General Assembly's website does not reflect this amendment to the Town's charter.

[1] https://data.census.gov/profile?g=160XX00US3746740
[2] Chapter 275 of the Private Laws of 1931
[3] 6. June 2024.pdf

Finding 1 Details and Recommendation

OSA found that the Town is delinquent in its required annual financial statement audits for fiscal years 2024 and 2025. The Town is currently identified on the Local Government Commission's (LGC) Unit Assistance List (UAL).

The Town is currently listed on the LGC's UAL, which is a list of local governments designated for enhanced fiscal oversight and guidance. Entities that are on the UAL must complete educational classes on fiscal management, and additional restrictions and reviews by the LGC must occur before entering into contracts and leases.

North Carolina state law requires local governments to submit an annual financial statement audit to the LGC for each fiscal year (FY), which concludes on June 30. Prior to FY 2025, municipalities were required to file these audits by October 31, four (4) months after fiscal year end. In December 2024, the LGC extended this deadline to December 31, allowing six (6) months for submission.

As of April 2026, the Town remains out of compliance with these statutory reporting requirements. The most recent financial statement audit submitted to the LGC is for FY 2023 and was not filed until September 2024, approximately 11 months beyond the mandated deadline. Moreover, the Town failed to submit required financial statement audits for FY 2024 and FY 2025. Consequently, the Town operated for multiple fiscal years without timely, independent financial reporting to the LGC, significantly impairing fiscal transparency, oversight, and accountability.

The table below presents the status of the Town's past four (4) fiscal year financial statement audits:

Fiscal Year	Due Date	Submission Date	Complete Months Overdue
2022	October 31st, 2022	June 28th, 2024	19 months
2023	October 31st, 2023	September 12th, 2024	11 months
2024	October 31st, 2024	Not submitted as of April 2026	18 (and accruing)
2025	December 31st, 2025	Not submitted as of April 2026	4 (and accruing)

Figure 1. Financial Audit Report Status

Recommendation:

1. The Town should ensure that future financial statement audits are submitted to the LGC in a timely manner and in full compliance with LGC guidance.

Finding 2 Details and Recommendation

OSA determined that the Town failed to maintain required surety bond coverage, as the current Manager was not bonded in that capacity from May 6, 2025, through May 28, 2025, and the Interim Finance Officer position remained unbonded from May 6, 2025, through June 10, 2026; however, the Town obtained the required bond as of June 10, 2026.

OSA received information indicating that the Town's current Manager is also serving as Interim Finance Officer and is not currently bonded. N.C.G.S. § 159-29 requires local government finance officers to be bonded in an amount established by the governing board, with a minimum bond of $50,000 or 10% of annually budgeted funds, not to exceed $1,000,000, and prohibits the appointment of an individual who is unable to obtain the required bond. Accordingly, an individual serving as Interim Finance Officer without the required bond lacks the legal authority to perform the duties of the position, and the governing board is obliged to take corrective action to ensure compliance.

OSA reviewed the Town's official website and confirmed that the Manager is also serving as Interim Finance Officer. OSA also reviewed the Town's May 6, 2025, open session board minutes, which showed the Town's former Deputy Finance Officer resigned. These minutes also revealed that the Town did not have a Manager.

According to the Town's Facebook page, the Town publicly introduced its new Manager on May 13, 2025.[4] To verify the official hire date, OSA contacted the current Manager on June 5, 2026, and requested a copy of the employment contract as well as bonding documentation. OSA requested these records to determine whether the Town secured bonds for the Manager and Interim Finance Officer positions and to establish when the Manager was appointed Interim Finance Officer. At the time of our request, the Manager was unable to provide the employment contract and the bond documents.

OSA further learned the LGC had been communicating with the Town to address the bonding issue and requested that the Town provide documentation demonstrating that the appointed

[4] Town of Newland is so excited to introduce our new town manager

Finance Officer has obtained the required faithful performance bond, or alternatively, appoint another qualified individual who can obtain the required bond.

On June 9, 2026, OSA obtained the Manager's employment contract, which showed the agreement was executed on October 7, 2025. OSA also obtained a bond effective May 28, 2025, confirming the current Manager was bonded as Manager but not as Interim Finance Officer. OSA investigators subsequently obtained the bond directly from the bonding company, which confirmed that the Manager is currently bonded as Interim Finance Officer as of June 10, 2026.

Based on OSA's investigation and documents received from the Town, it appears the current Manager was not bonded in the capacity of Manager from May 6, 2025 through May 28, 2025. Additionally, it appears the Town did not maintain a bond covering the Interim Finance Officer position from May 6, 2025, through June 10, 2026.

Recommendation:

2. The Board should ensure Finance Officer appointments comply with N.C.G.S. § 159-29, including required bonding, and maintain appropriate segregation of duties or implement compensating controls when roles are combined.

   It should be noted, that although permitted under N.C.G.S. § 159-24, combining the Town Manager and Interim Finance Officer functions weakens segregation of duties and increases the risk of errors, unauthorized transactions, and undetected financial irregularities.

Finding 3 Details and Recommendation

OSA determined that the former Town Administrator bypassed bidding and board approval in connection with $418,658 in general fund expenditures.

The Town's former Town Administrator engaged CCG Enterprises LLC (CCG), an unlicensed contractor headquartered in Guilford County, to initially perform debris-removal and maintenance activities at Roby Shoemaker Wetlands and Family Recreation Park (the Park) in the Town.

OSA reviewed 35 invoices CCG submitted to the Town, of these invoices 19 were clearly associated with Park-related work. Based on the invoice dates, CCG submitted invoices for pond cleanup between August 24, 2023 and December 21, 2023. The invoices showed that services included equipment rentals, installation of a catch basin, riprap installation around the basin, riverbank clearing, material hauling, tree removal, and additional work at the Park. These invoices totaled $327,642 (see Figure 2).

"Source: BarkParkFinder (public photo)"

A review of the 16 remaining invoices showed CCG billed the Town for other services related to public works and maintenance needs within the Town, including hauling aggregate base course materials, making repairs at local businesses, and renting equipment between December 13, 2023 and June 19,2024. These invoices totaled $182,784 (see Figure 2).

CCG Enterprises, LLC Invoice Submission		
Location	**Invoice Count**	**Invoice Amount**
Roby Shoemaker Wetlands	19	$327,642
Town Public Works and Maintenance	16	$182,784
Total amount invoiced from August 24, 2023 through June 19, 2024: $510,426		

Figure 2. CCG Enterprises LLC Invoice Submission to the Town of Newland

CCG performed work for the Town under the direction of the former Town Administrator; however, the Board was not aware of the full scope of work performed and did not approve or budget for these activities.

OSA reviewed the Town's financial records and determined that, between September 2023 and January 2024, the Town issued 46 checks from its general fund to CCG and its owner totaling $418,658; CCG was the recipient of 32 checks totaling $374,919, and CCG's owner was the recipient of the remaining 14 checks totaling $43,739. Additionally, CCG's invoices revealed that the company presented itself as a licensed general contractor (see Figure 3).

According to N.C.G.S. § 87-1(a), "(f)or the purpose of this Article any person or firm or corporation who for a fixed price, commission, fee, or wage, undertakes to bid upon or to construct or who undertakes to superintend or manage, on his own behalf or for any person, firm, or corporation that is not licensed as a general contractor pursuant to this Article, the construction of any building, highway, public utilities, grading or any improvement or structure where the cost of the undertaking is $40,000 or more, or undertakes to erect a North Carolina labeled manufactured modular building meeting the North Carolina State Building Code, shall be deemed to be a "general contractor" engaged in the business of general contracting in the State of North Carolina." (North Carolina General Statutes § 87-1(a))[5]

At the time of these transactions, CCG was not licensed as a general contractor. Although the monetary threshold in N.C.G.S. § 87-1(a) was increased from $30,000 to $40,000, the Park's pond cleanup project cumulative total equaled $327,642 and exceeded both thresholds, legacy and current, set by State law. Therefore, the work met the statutory definition of general contracting and required a licensed general contractor.

OSA requested permits obtained for the project from the Town's Finance Officer. After consulting the Public Works Department, the Finance Office informed OSA that no permits were issued or requested for work on the Park's pond.

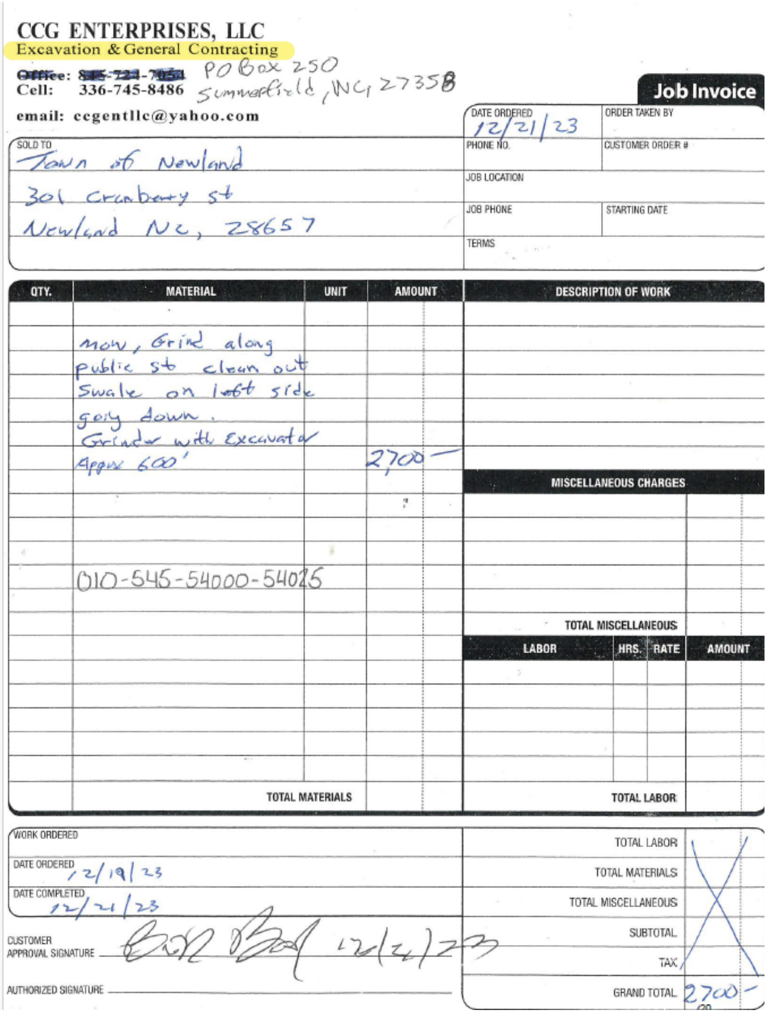
On September 28, 2023 the Town's then sitting Mayor and the former Town Administrator received an email from the Avery County Inspections and Planning Department (the County) stating that the County had issued a stop-work order for all grading activity at the Park. The email noted that the County had been advised of substantial grading activity and that, following a visual inspection, the County observed disturbances to the pond, wetlands, and creek. The email further stated that the County was directed to contact the U.S. Army Corps of Engineers because State requirements may require permits for this work.

OSA reviewed a U.S. Army Corps of Engineers permit issued in 2007. That permit authorized the original construction of the stormwater wetland and stream stabilization but did not provide ongoing authorization for later work that exceeded routine maintenance. As a result,

[5] North Carolina General Assembly. General contractor defined; exceptions, N.C.G.S. § 87-1(a).

later activities should have been reviewed based on their scope to determine whether additional regulatory approvals were required.

OSA contacted the County to determine whether permits had been issued to the Town for the work performed at the park. The County stated that it had not issued any permits and that a permit would be required to complete work at the Park because the site is in a floodplain. Our review of CCG's invoices for Park-related work found that work continued while the stop-work order was in effect (see Figure 4).



CCG ENTERPRISES, LLC
Excavation & General Contracting
Office: [redacted] PO Box 250
Cell: 336-745-8486 Summerfield, NC, 27358
email: ccgentllc@yahoo.com

Job Invoice

DATE ORDERED 12/21/23
ORDER TAKEN BY
PHONE NO.
CUSTOMER ORDER #
JOB LOCATION
JOB PHONE
STARTING DATE
TERMS

SOLD TO
Town of Newland
301 Cranberry st
Newland NC, 28657

QTY.	MATERIAL	UNIT	AMOUNT
	mow, Grind along public st clean out Swale on left side going down. Grinder with Excavator Appox 600'		2700 —
	010-545-54000-54025		
	TOTAL MATERIALS		

DESCRIPTION OF WORK

MISCELLANEOUS CHARGES

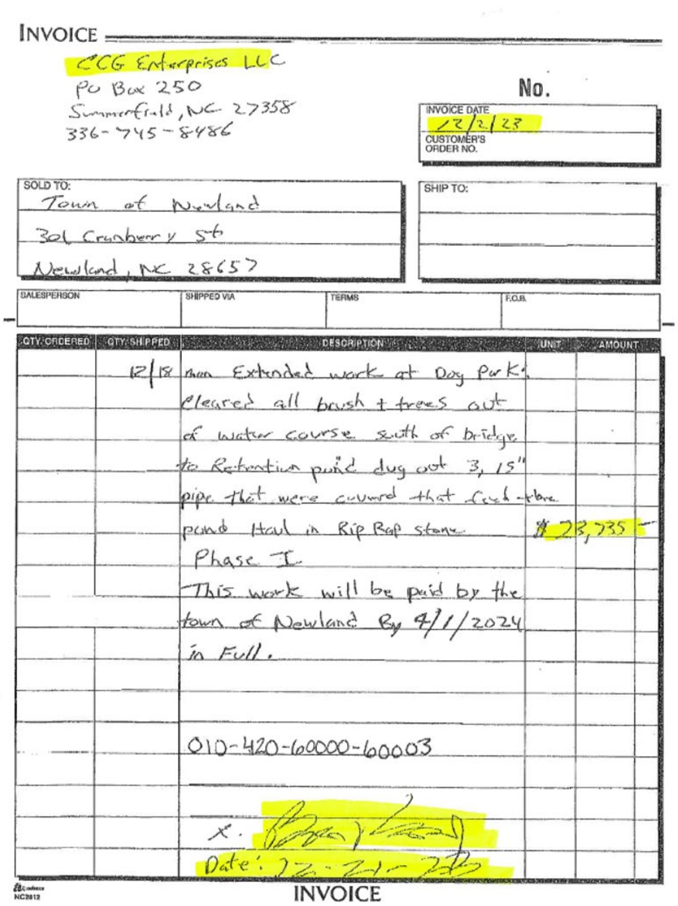
TOTAL MISCELLANEOUS

LABOR	HRS.	RATE	AMOUNT
TOTAL LABOR			

WORK ORDERED
DATE ORDERED 12/19/23
DATE COMPLETED 12/21/23
CUSTOMER APPROVAL SIGNATURE 12/21/23
AUTHORIZED SIGNATURE

TOTAL LABOR
TOTAL MATERIALS
TOTAL MISCELLANEOUS
SUBTOTAL
TAX
GRAND TOTAL 2700 —

Figure 3.Invoice Presented as General Contractor


INVOICE

CCG Enterprises LLC
Po Box 250
Summerfield, NC 27358
336-745-8486

No.

INVOICE DATE 12/2/23
CUSTOMER'S ORDER NO.

SOLD TO:
Town of Newland
301 Cranberry St
Newland, NC 28657

SHIP TO:

SALESPERSON | SHIPPED VIA | TERMS | F.O.B.

QTY. ORDERED	QTY. SHIPPED	DESCRIPTION	UNIT	AMOUNT
	12/18	man Extended work at Dog Park: Cleared all brush + trees out of water course south of bridge to Retention pond dug out 3, 15" pipe that were covered that feed the pond Haul in Rip Rap stone	$23,735	
		Phase I		
		This work will be paid by the town of Newland By 4/1/2024 in Full.		
		010-420-60000-60003		
		X. [signature]		
		Date: 12-21-23		

INVOICE

Figure 4. Invoice *CCG* submitted for work at the park after stop work order

Under N.C.G.S. § 87-13, individuals or businesses may not represent themselves as licensed general contractors unless they hold a valid license issued pursuant to Chapter 87.[6] On May 15, 2025 the owner of CCG submitted Articles of Dissolution to the North Carolina Department of the Secretary of State to officially dissolve CCG Enterprises, LLC.

To assess whether the CCG disbursements were properly authorized and supported, OSA reviewed the Town Board meeting minutes and available procurement documentation. OSA could not identify board approval of a contract with CCG, documentation establishing the total project scope or cost, or any Requests for Proposals (RFPs) associated with the work completed by CCG. OSA requested the Town's procurement policy and determined such a policy was not effective until November 5, 2024.

[6]N.C.G.S. 87-13. Representing the provision of "general contracting" services without proper licensure constitutes unauthorized practice of contracting. Violations of this statute are criminal offenses and are punishable as Class 2 misdemeanors

OSA reviewed board meeting minutes and noted that beginning in the Fall of 2023, there were multiple instances where the Board raised concerns about CCG's work at the Park following the issuance of a stop-work order by the County. The Board also raised concerns about issues related to cost, project scope, budgeting, procurement of services, and the extent of administrative authority exercised without explicit Board approval. These concerns continued to be raised by the Board through January 2024, at which time the Board explicitly informed the former Town Administrator that CCG was to perform no further work for the Town. As of August 6, 2024 the Board voted to relieve the Former Town Administrator of his duties.

OSA substantiated the allegation after evidence showed that the former Town Administrator circumvented the RFP process and engaged an unlicensed contractor to perform debris cleanup and Town maintenance services, resulting in payments totaling $418,658 without a written contract or Board approval.

Recommendation:

3. The Town should strengthen procurement and financial oversight controls by requiring competitive bidding, contractor licensing verification, documented board approval, and centralized monitoring of project expenditures before committing general fund resources. The Town should also require contracts, itemized invoices, and receipts, and the Finance Officer should pre-audit applicable expenditures

Finding 4 Details and Recommendation

OSA determined that the Town's Board approved a sealed bid that financially benefited Caretaker Services (CTS), a business owned by the then-sitting Mayor, resulting in CTS receiving $63,460.

OSA reviewed the Town's April 5, 2022 Board meeting minutes, which reflect discussions regarding the acceptance of sealed bids for a mowing contract and other tasks. During the meeting, the Board discussed Caretaker Services (CTS), a business associated with the Town's then-sitting Mayor. The meeting minutes reflect that an employee of CTS submitted a bid for the mowing contract. During the meeting, the Town's then-sitting Mayor informed the Board that he was not submitting the bid himself; rather, an employee of CTS was the bidder, and that this arrangement had been reviewed by the Town Attorney. The Town's then-sitting Mayor was asked whether he would receive any financial benefit from the bid, to which he indicated he would. The Board subsequently voted to award the contract to another bidder.

North Carolina law prohibits public officers from deriving a direct benefit from contracts they are involved in making or administering unless a statutory exception applies.[7]The Town's then-sitting Mayor qualified as a public officer under N.C.G.S. § 14-234[8] and acknowledged a direct financial benefit related to the RFPs, both during the April 5, 2022 Board meeting and on March 20, 2024.

The Town's then-sitting Mayor had a potential conflict of interest because he was associated with CTS, a business that submitted a bid for Town mowing services and acknowledged he would receive a financial benefit from the bid. Although the contract was awarded to another bidder, the Mayor's financial interest raised a concern under North Carolina law prohibiting public officers from deriving a direct benefit from contracts they make or administer unless an exception applies.

According to the March 5, 2024, Board meeting minutes, the Town again decided to solicit bids for mowing services.

April 2, 2024 Board meeting minutes reflect that the Town received bids for mowing services. During this meeting, the then-sitting Town Administrator stated that the bid packet included six additional properties, resulting in a higher fee. The Board made a motion to select the lowest bid, which was awarded to CTS.

OSA requested the CTS contracts and invoices from the Town and was provided with two RFPs. The Town did not provide OSA with any requested documentation concerning contracts or invoices related to CTS. The first RFP was dated March 20, 2024 with a fulfillment price of $31,500. The second RFP was dated April 15, 2025 with a fulfilment price of $27,500.

The bids were submitted by an employee of CTS and included a one page Execution of Quote Proposal signed on March 20, 2024 by the Town's then-sitting Mayor in his capacity as Owner of CTS.

OSA reviewed the Town's bank transactions related to CTS and identified 12 checks totaling $63,460 issued to CTS between April 8, 2024 and August 14, 2025.

[7]N.C.G.S. § 14-234

[8]N.C.G.S. § 14-234(a1)(1) defines "public officer" as an individual elected or appointed to serve or represent a public agency, other than an employee or independent contractor of a public agency.

While the Board acted on the RFPs at which the Town's then-sitting Mayor was a member of the governing body, it appears the then-sitting Mayor was statutorily exempted from the requirements of the General Statutes by the "small jurisdiction" exception.

This exception allows governing board members to lawfully contract with the governments they serve so long as the contracts they enter do not exceed $60,000 over a 12-month period and the population of their town is 20,000 or less. [9]

OSA reviewed the Town's payments to CTS between April 8, 2024, and April 8, 2025, and found that CTS was paid $36,210, which was below the $60,000 threshold for a 12-month period.

N.C.G.S. § 160A-87 requires municipal governing board members to complete ethics training within 12 months of their initial election or appointment and within 12 months of each subsequent election or appointment. OSA reviewed meeting minutes from 2022 through 2025 and found no indication that the Town implemented a code of ethics policy or ensured completion of the ethics training required by state law.

Recommendation:

4. The Town should ensure all elected members of the Board continue to complete required ethics training as mandated by N.C.G.S. § 160A-87.

Finding 5 Details and Recommendation

OSA concluded that internal control deficiencies over banking transactions caused a loss of $15,210 in public funds.

OSA reviewed bank transactions related to Iron Mountain Construction Company (IMC) and identified 30 payments totaling $273,814 made between FY's 2022 and 2026. The Town worked with IMC to purchase a Macho Monster Electric Grinder, a part needed for the Wastewater Treatment Plant at a cost of $82,123.

[9] N.C.G.S.14-234 (d1). Population figures must be based on the most recent federal decennial census. The population threshold was increased from 15,000 to 20,000 in 2021 by S.L. 2021-117.

OSA reviewed email communications between IMC and the then-sitting Finance Officer and identified indicators of a spoofed email.

On October 3, 2022, the Town's Finance Officer received a spoof email impersonating IMC that included an $82,123 invoice and requested payment by wire transfer. The emails contained writing errors, claimed IMC's bank account was under audit and unable to cash checks, and requested payment by wire transfer. Further review of the email communications also showed that after this incident the Town confirmed IMC accepted payment only by check.

These indicators increased fraud risk by pressuring the Town to bypass the normal payment process and redirect public funds through an unauthorized wire transfer.

On November 14, 2022, the Finance Officer processed the wire transfer, which was later identified as potentially fraudulent. The Town's financial institution notified the Finance Officer that the payment was an international transaction and stopped the payment.

An incident report was subsequently filed with law enforcement.

OSA determined the Finance Officer processed the wire transfer without adequately evaluating fraud indicators, obtaining secondary review and approval, or independently verified the payment method with IMC prior to issuing payment.

The Town recovered $66,913 associated with the transaction; however, $15,210 remains unrecovered.

On November 28, 2022, the Finance Officer issued a $82,123 check to IMC to complete the purchase for the Macho Monster Electric Grinder.

Recommendation:

5. The Town should enhance internal controls over electronic payments by requiring independent verification of vendor wire transfer requests, supervisory approval prior to processing payments, and periodic staff training on phishing and vendor impersonation fraud.

TOWN OF NEWLAND

301 CRANBERRY STREET
P.O. BOX 429
Newland, N.C. 28657
www.townofnewland.org
828.733.2023

Council Members

Valerie Jaynes, Mayor
Dave Calvert, Mayor Pro Tem
Christie Hughes
Gail Haller
James Johnson
Vicki Caraway

North Carolina Office of the State Auditor

Please accept this as the Town of Newland's formal response letter to the preliminary confidential draft of the investigative report that the town received on July 28, 2026.

In response to finding number 1, about delinquent audited financial statements, the Town is working alongside the LGC to become compliant with all general statutes that pertain to submitting audited financial statements in a timely manner. We have published several RFPs to attempt to get an auditor under contract as soon as possible, we understand the importance of doing so.

In response to finding 2, the town is now compliant and will continue to be.

In response to finding 3, as the current town manager I cannot speak intelligently about what exactly happened during this time, but I can say that we are currently following proper protocol as it pertains to contracts, preaudits, and board approval of all expenditures that are not a part of the approved appropriated budget.

In response to finding 4, the town will see to it that its current elected board will comply with NCGS 106A-87. We are also making sure that our procurement controls are abiding by the proper protocols.

In response to finding 5, We will make sure that all electronic payments require supervisonial approval before being made.

To address the issue of segregation of duties, we are currently doing the best that we can to segregate duties related to finance considering our extremely limited staff. We pre audit each invoice, code it to the proper budget line item and make sure that each invoice has two signatures, (Town Manager- Interim Finance officer and the Town clerk). In a perfect world we would obviously love to have enough employees to completely segregate duties related to finance, but we are working with the resources that we have. We have recently contracted with a local CPA firm to assist us further with day-to-day finance related transactions. This has proven to be extremely beneficial to the town and also helps us to further segregate financial duties to the best of our ability.

DAVID EPLEY

Town Manager

Town of Newland
301 Cranberry Street
Newland, North Carolina 28657
Email: depley@townofnewland.org
Phone: 828.733.2023
Website: Town of Newland

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: 919-432-4050
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

Disclosure: OSA acquired data for analysis directly from the Town of Newland and its financial institution.

Note to Readers: 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.

A copy of this Investigative Report has been provided to Town Leadership and is published online for review by Town Leadership, Town citizens, and the citizens of North Carolina.