



Abigail Spanberger
Governor

Carrie Chenery
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

Tamarah Holmes, PhD
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

March 20, 2026

MEMORANDUM

TO: Members of the Commission on Local Government

FROM: DHCD Staff

SUBJECT: Commission on Local Government Meeting – March 26, 2026

Dear Commissioners,

Enclosed is the draft agenda and information package for the Commission on Local Government regular meeting to be held on **Thursday, March 26, 2026, at 1:30 p.m.** The Commission meeting will be held at the Benson Educational Building in Tangier, Virginia. Lunch will be provided prior to the meeting.

Please find enclosed the following:

1. Draft Agenda for the March Regular Meeting of the Commission
2. Draft Minutes of the January 9, 2026, Regular Meeting of the Commission
3. Town of Tangier Fiscal Distress Draft Report Prepared by the Berkley Group

If you have any questions or require additional information, please contact Alan Jones at alan.jones@dhcd.virginia.gov or 804-944-0645. We look forward to seeing you in-person on March 26th.

Enclosure





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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

AGENDA

Commission on Local Government

Regular Meeting

March 26th, 2026

1:30 PM

Benson Educational Building

16152 Main Ridge Road

Tangier, VA 23440

Electronic Meeting Access Information

Microsoft Teams Joining Information: [Click here to join the meeting](#)

Meeting ID: 250 838 807 312 10 | Passcode: bg2pp3QS

Call in (audio only) +1 434-230-0065 | Phone Conference ID: 428 491 56#

1. Please contact Alan Jones (alan.jones@dhcd.virginia.gov) for additional information on how to connect to the meeting electronically.
2. The Public Comment portion of the meeting will be limited to thirty (30) minutes. Each person wishing to provide comments before the Commission should limit their comments to three (3) minutes. These rules are subject to change without notice by the Commission Chair. It is encouraged to pre-register for public comment by contacting Alan Jones (alan.jones@dhcd.virginia.gov) in advance of the meeting.
3. Members of the public viewing the meeting through the Microsoft Teams option are required to mute themselves during the meeting unless called upon by the Commission Chair to speak. The Commission reserves the right to remove from its virtual meetings anyone who does not abide by these rules.
4. Access to meeting materials for members of the public is available on the corresponding meeting page of the [Virginia Regulatory Town Hall website](#) and on [Commonwealth Calendar](#).



Commission on Local Government
Regular Meeting – March 26, 2026

- | | | |
|--|---------------|-------|
| I. <u>Call to Order</u> | | Chair |
| II. <u>Administration</u> | | |
| a. Approval of the Draft Agenda | | Chair |
| b. Approval of the Minutes: January 9, 2026 | | Chair |
| c. Public Comment Period | | Chair |
| d. Staff's Report | | Staff |
| III. <u>Local Fiscal Distress – Town of Tangier</u> | | |
| a. Overview of Local Fiscal Distress Process | | Staff |
| b. Presentation of Draft Report on Tangier Fiscal Distress | Berkley Group | |
| c. Commission Deliberation and Action | | Chair |
| IV. <u>Other Business</u> | | Chair |
| V. <u>Adjournment</u> | | Chair |

*The next regular meeting of the Commission on Local Government is currently scheduled for
May 1, 2026.*



**Minutes of the
COMMISSION ON LOCAL GOVERNMENT**

January 9, 2026

1:00 pm

Virginia Housing Center

4224 Cox Road

Glen Allen, VA 23060

Members Present

Robert Lauterberg
Terry Payne, Chair
Edwin Rosado

Members Absent

Heather Cordasco, Vice Chair

Department of Housing and Community Development (DHCD) staff present for all or part of the meeting:

Maggie Beal, Director
Kenrick Cameron, Jr., Policy Analyst
Joseph Dennie, Policy Analyst
Alan Jones, Senior Public Finance Analyst
Trisha Lindsey, Policy & Legislative Services Director
Sulaiman Safi, Board Coordinator
Chase Sawyer, Policy Manager

Call to Order

Commissioner Lauterberg, Chair of the Commission on Local Government, called the regular meeting to order at 1:04 p.m.

Roll Call

The roll was called by Mr. Jones. Mr. Jones reported that a quorum was present.

Approval of Agenda

Commissioner Lauterberg asked whether any Commissioner proposed changes to the agenda. Hearing none, the agenda was adopted without objection.

Election of Officers for 2026

Commissioner Lauterberg opened the floor for nominations for Vice Chair of the Commission. Commissioner Rosado nominated Commissioner Cordasco. No other commissioners were nominated, and the floor was closed for nominations. Commissioner Cordasco was elected Vice Chair by acclamation.

Commissioner Lauterberg opened the floor for nominations for Chair of the Commission. Commissioner Rosado nominated Commissioner Payne. No other commissioners were nominated, and the floor was closed for nominations. Commissioner Payne was elected Chair by acclamation.

Approval of Minutes

A motion was made by Commissioner Rosado and seconded by Commissioner Lauterberg to approve the minutes of the November 25, 2025, regular meeting of the Commission. The motion passed on a unanimous voice vote (YEAS: Lauterberg, Payne, Rosado; NAYS: None).

Public Comment

Commissioner Payne opened the floor for public comment.

After seeing no speakers, Commissioner Payne closed public comment.

Staff's Report

Mr. Jones welcomed Mr. Kenrick Cameron, Jr., the new Policy Analyst at the Department of Housing and Community Development (DHCD). Mr. Cameron introduced himself and provided a brief background on their previous roles and experiences.

Mr. Sawyer spoke to the Conflict of Interest Act (COIA) and reminded Commissioners to complete their financial disclosure statements by February 2, 2026. Mr. Sawyer also provided a reminder ahead of the General Assembly Session that Commissioners are appointees to a regulatory body and should not comment on General Assembly matters on behalf of the Commission or in their capacity as a Commissioner. Mr. Sawyer added that Commissioners may participate in the legislative process in their capacities as private citizens.

Commemorative Resolution –
Ceasar Johnson

Commissioner Payne reminded Commissioners that Commissioner Ceasar Johnson's term expired December 31, 2025. Commissioner Rosado spoke to Commissioner Johnson's professionalism and attention to community needs. Commissioner Payne spoke to Commissioner Johnson's focus on issues affecting localities and everyday people, as well as being instrumental to the success of the Commission on Local Government. Commissioner Lauterberg echoed the points made by Commissioner Rosado and Commissioner Payne.

A motion was made by Commissioner Lauterberg and seconded by Commissioner Rosado. The motion passed on a unanimous voice vote (YEAS: Lauterberg, Payne, Rosado; NAYS: None).

Electronic Meetings Policy

Mr. Jones reviewed the Commission's Electronic Meetings Policy and highlighted the technical changes that had been made for the Commission's annual reapproval. A motion

was made by Commissioner Lauterberg and seconded by Commissioner Rosado. The motion passed on a unanimous voice vote (YEAS: Lauterberg, Payne, Rosado; NAYS: None).

Cases Before the Commission

Mr. Jones provided an update, stating that no new cases had been received since the last meeting.

Local Fiscal Distress – Town of Tangier

Mr. Jones provided an overview of the local fiscal distress process and related statutory provisions, as well as an update on the Town of Tangier. Mr. Jones explained that the 2024 legislation, SB645, established a process for identifying when a locality is fiscally distressed and outlines the framework for state assistance, oversight, and intervention to address such conditions. Mr. Jones reminded the Commissioners that the Governor had provided notice of a plan for state assistance for the Town of Tangier and the Commission took action to acknowledge its oversight responsibility at the previous meeting. Mr. Jones noted that the Berkley Group was selected by the Governor to provide assistance to the Town of Tangier and develop a turnaround plan. Mr. Jones added that staff, the Berkley Group, and representatives of the Town of Tangier had a kickoff meeting on January 8, 2026, to begin the Berkley Group's engagement with the Town and the Berkley Group will produce a report by February 20, 2026. Mr. Jones responded to questions from Commissioners regarding the Town of Tangier and the local fiscal distress process. Mr. Jones noted that the Town of Tangier has been cooperative and willing to engage with staff, the Berkley Group, and other state entities.

Fiscal Stress Methodology

Mr. Jones explained that the presentation from Dr. Eric Scorsone regarding fiscal stress methodology would be rescheduled due to a pressing personal matter that prevented Dr. Scorsone's attendance at the meeting. Mr. Jones provided an overview of fiscal stress methodology and noted items for the Commission to consider, such as what the intended goal of the fiscal stress index should be and to be mindful of not duplicating the efforts of the Auditor of Public Accounts related to fiscal distress. Mr. Jones stated that staff would obtain Dr. Scorsone's permission to share the presentation materials intended to be used for this meeting and would coordinate with Dr. Scorsone to reschedule the fiscal stress methodology presentation. Commissioners discussed the significance of the fiscal stress index and ensuring it is a useful tool.

Schedule of Regular Meetings

Mr. Jones presented the Commission with the proposed 2026 schedule of regular meetings. Mr. Sawyer noted that Commissioners should, at this time, plan for all meetings to be held in-person in order to preserve maximum flexibility in utilizing the all-virtual meeting format based on future meeting and travel demands of the Commission. Mr. Sawyer added that staff will coordinate all-virtual meeting utilization with the Chair and Commissioners. Commissioners discussed their respective availability for rescheduling the Commission's March meeting but agreed to keep the meeting scheduled for March 6 for now, with the understanding that the meeting may ultimately be rescheduled for a later date in March. A motion was made by Commissioner Rosado and seconded by Commissioner Lauterberg to approve the 2026 regular meeting schedule. The motion passed on a unanimous voice vote (YEAS: Lauterberg, Payne, Rosado; NAYS: None).

Other Business

Director Beal noted that the Governor-elect will be sworn in on January 17, 2026, and the next Director of DHCD has not been announced.

Adjournment

A motion was made by Commissioner Rosado and seconded by Commissioner Lauterberg to adjourn the meeting of the Commission. The motion passed on a unanimous voice vote (YEAS: Lauterberg, Payne, Rosado; NAYS: None). The meeting adjourned at 1:54 p.m.

TOWN OF TANGIER

Fiscal Distress Report

Prepared for the
Commonwealth of Virginia
Department of Housing & Community Development

Commission on Local Government

March 2026



An aerial photograph of a coastal town, likely Tangier, Virginia, is shown. The town features numerous houses with various roof colors and styles, interspersed with green lawns and trees. In the background, a large body of water is visible, with a few small boats scattered across its surface. A large, white, semi-transparent rectangular box is overlaid on the left and center portions of the image, containing the text of the report's introduction. The text is in a dark, serif font. The overall scene is captured from a high angle, providing a clear view of the town's layout and its proximity to the water.

INTRODUCTION

Berkley Group has been engaged by the Commonwealth of Virginia to serve as a partner between the state and localities, providing financial turnaround services when a locality is identified as fiscally distressed through the state's early intervention process. This report outlines the Commonwealth's process, provides background on the Town of Tangier, and provides a roadmap for the locality to improve its financial viability. This report, including the observations and recommendations contained within, has been a collaborative effort between the Town of Tangier, Berkley Group, and state agencies.

Throughout this assessment process, town officials have been cooperative with information requests, meeting with the consultant team, and expressing a willingness to improve their financial situation. The town is challenged not only with a lack of financial resources, but also with access to local government professionals with management experience to provide guidance regarding operations, legal matters, and financial reporting.

While the state has long collected and analyzed local government financial data, legislation adopted in 2024 now provides additional oversight and support to localities facing fiscal challenges that meet the definition of fiscal distress. It is important to recognize that financial challenges do not emerge overnight, and that fiscal recovery requires sustained discipline, focus, and support. Likewise, financial challenges are often intertwined with leadership challenges, and addressing both are equally critical to achieving a successful recovery.

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EXECUTIVE SUMMARY OF KEY FINDINGS AND OBSERVATIONS

The following key findings and observations are the results of file review, stakeholder interviews, on-site meetings, and review of guiding practices for local government management and finance.

Tangier's Capacity to Resolve Existing Problems

- The Town is isolated, has a small, aging, and declining population and relies upon tourism and aquaculture as primary drivers of its economy.
- The Town Council has taken initial steps to reduce expenses and better understand the depth of its problems, and has indicated a willingness to make difficult decisions.
- The Town's capacity to address its existing fiscal and operational challenges is significantly constrained by the absence of qualified professional staff and limited access to essential financial records and software systems, previously used for operations. These deficiencies impair financial oversight, strategic planning, and the timely execution of corrective actions.

Audit Status

- The Town's last audit, for Fiscal Year 2010, was completed in 2012.
- Significant material weaknesses from the FY2010 and previous Town audits remain unresolved, including serious deficiencies in internal controls, processes, and procedures.
- It is unclear if month-end and year-end reconciliation procedures and controls exist to reconcile revenues and expenses to the General Ledger.
- VML/VACo Finance performed a review of the Town's finances in 2025, and many of their findings corresponded with previous findings. The findings were substantial, and require focus from professionals with experience in local government finance and management operations. Most items remain incomplete.

Financial Health

The Town lacks the financial vision, systems, and planning needed to manage operations or make informed decisions. Key issues include:

- Unclear cash and fund balances. The Town cannot reliably determine cash on hand, unrestricted reserves, or short-term liquidity.
- Unreconciled receivables and liabilities. Accounts receivable and long-term obligations are not fully documented or reconciled, creating uncertainty regarding the Town's true obligations.
- Unquantified capital needs. Deferred maintenance and capital requirements are not tracked, leaving infrastructure at risk and replacement costs unknown.
- No multi-year planning or forecasting. Budgeting is short-term and reactive; there is no multi-year financial plan such as a Capital Improvement Plan (CIP) to guide strategic decisions.
- Missing basic finance infrastructure. The absence of an integrated financial management system, a coherent general ledger structure, and an adopted, detailed budget prevents routine monitoring, timely reporting, and effective financial control.

Organization Challenges

- Workforce capacity and skill set issues impair the ability to resolve accounting issues.
- Non-existent financial management policies and procedures.
- Lack of training and processes/procedures for existing and new hires.
- No existing plan to address the need to complete outstanding audits.

Roadmap to Fiscal Recovery (taken from the GFOA's Fiscal First Aid Recovery Model (Bridge Phrase))

- Stabilize Near-Term Finances
- Develop a Detailed Remediation Plan
- Implementation and Monitoring
- Long-Term Financial Health



FISCAL DISTRESS & TURNAROUND PROCESS BACKGROUND

Virginia's Process

The Commonwealth of Virginia is committed to ensuring that units of local government remain financially responsible and fiscally sound. In support of this goal, the Auditor of Public Accounts (APA) and the Commission on Local Government (CLG) operate as independent entities with distinct yet complementary roles in monitoring and addressing local fiscal health.

The APA independently monitors and reports how state agencies and institutions use taxpayers' money. The Auditor is a Constitutional officer elected to a four-year term and reports to the General Assembly through the Joint Legislative Audit and Review Commission (JLARC). Among the many statutory roles the APA plays in oversight and audits, a Local Government Team is responsible for collecting local government audits on an annual basis. In accordance with the Code of Virginia, the following units of local government are required to submit an independent annual audit to the APA:

- All independent cities;
- All counties;
- Towns with a population that exceeds 3,500;
- Towns that operate a separate school division regardless of population;
- Any town with a population of less than 3,500 that voluntarily performs an audit. The APA notes that approximately 15% of small towns submit an audit annually.

Localities are required to submit audited data by December 15 each year. The APA annually compiles a report containing uniform financial data based on information submitted by localities known as the Comparative Report on Local Government.

From the information provided by localities, the APA administers a prioritized early warning system to help identify local governments that *may* be in fiscal distress before problems become a crisis. Under state law, the APA uses leading financial indicators and relevant non-financial data, drawn from audited financial reports and other regularly collected sources, to establish criteria showing signs of fiscal stress. These indicators include information such as a locality's financial position, reserves, debt levels, operating revenues and expenditures, and other key measures. The APA reviews this information on at least an annual basis to make a *preliminary determination* that a locality may meet the statutory criteria for fiscal distress. If a locality appears to meet those criteria, the APA notifies the local governing body and may follow up with additional review or consultation, which can then trigger broader state notification or assistance if needed.

If a locality chooses to participate in the early intervention process, the APA's Local Government Team further evaluates the locality using their financial assessment questionnaire. This process involves an in-depth review and discussion with local officials to better understand the financial realities contributing to fiscal distress. This process includes reviewing the locality's available financial data such as audited financial statements, reserves, debt levels, revenue and expenditure trends, and other indicators. This review primarily intends to determine the level of fiscal distress and if further assistance or intervention is required.

If a determination is made that a locality is fiscally distressed, the Code of Virginia requires the APA to notify the Governor and Secretary of Finance, legislative committees including the Senate Finance and Appropriations Committee, the House Appropriations Committee, the House Counties, Cities, and Towns Committee, and the Senate Local Government Committee along with the locality's governing body. This notification provides specific indicators of fiscal distress and the APA's recommendation for state assistance to further assess, stabilize, or remediate a locality's situation.

Separate from the APA is the Commission on Local Government (CLG) which is a statutory commission housed in the Department of Housing and Community Development (DHCD) focused on promoting viable local governments and overseeing certain intergovernmental matters. Members of the CLG are appointed to staggered five-year terms by the Governor and confirmed by the General Assembly. In the context of local fiscal distress, once the APA has made a formal determination that a locality meets the criteria for fiscal distress and state involvement begins, the CLG's role is to oversee state intervention efforts, with statutory authority to assess whether a locality has taken appropriate corrective action. In specific geographic areas, an emergency fiscal manager may be appointed to implement remediation plans; however, this is only applicable for localities within Planning District 19.

The Code of Virginia defines fiscal distress as “a situation whereby the provision and sustainability of public services, or the ability to appropriately fund financial liabilities, is threatened by various administrative and financial shortcomings, including cash flow issues, inability to pay expenses, revenue shortfalls, deficit spending, structurally imbalanced budgets, billing and revenue collection inadequacies and discrepancies, debt overload, failure to meet obligations to authorities, school divisions, or political subdivisions of the Commonwealth, lack of trained and qualified staff to process administrative and financial transactions, or the inability to timely produce an audited financial report. ‘Fiscal distress’ may be caused by factors internal to the locality or external to the locality, and in various degrees such conditions may or may not be controllable by management or the local governing body or its constitutional officers.”

Once the APA has performed its assessment, the process for state involvement flows to the CLG to coordinate with the locality to develop a recovery roadmap. DHCD staff along with consultant teams work directly with the fiscally distressed locality to perform the baseline assessment and present findings to the CLG. The state may proceed with further involvement based upon the needs assessment and availability of state funds.

As a result of legislation introduced and codified in 2024, the CLG was given additional oversight responsibilities. The APA is required to provide technical assistance to the CLG based on existing oversight authority. It should be noted that these modifications represent the General Assembly’s awareness to provide additional oversight and support for localities that are struggling financially.





Image Credit: Virginia Is For Lovers



COMMUNITY BACKGROUND

The Town of Tangier is located on Tangier Island in the middle portion of the Chesapeake Bay, and is part of Accomack County, Virginia. Although the island was documented by Captain John Smith in 1608 and settled in the 1770s, Tangier was not incorporated as a town until 1915.

Access to the town is primarily provided by two seasonal ferry services operating from Onancock on Virginia’s eastern shore and from Reedville on Virginia’s western shore. These ferries serve both residents and visitors, supporting transportation and tourism. A third, year-round ferry operates daily between Tangier Island and Crisfield, Maryland, and serves as the primary connection to the mainland for residents, including daily mail delivery and essential supplies. For more immediate access, the Town also operates an airstrip for small aircraft. The Town is home to Tangier Combined School, a school that serves resident children from pre-kindergarten through secondary education as part of the Accomack County Public School system. The Town’s isolation results in a struggle of “going off the island for anything but having to go off the island for everything.”

The town has a long-standing aquaculture heritage, which remains the primary economic foundation for its residents.

Erosion, sea-level rise, storm activity, and other environmental challenges significantly affect both residents and municipal operations. In response, the town has received a range of grants to support shoreline stabilization, improvements to water and wastewater infrastructure, airfield maintenance, and other critical needs. Significant investment is required to curb land loss on the island.

Town of Tangier “At a Glance”

- **Strong agriculture and aquaculture heritage since the 1600s**
- **Population trend declining throughout 20th and 21st centuries**
- **Erosion and sea-level rise resulting in significant land loss**
- **Estimated Population: 436 (2020 Census)**
- **Estimated Housing Units: 219 (2023 ACS Survey)**
- **Median household income: \$33,405 (2023 ACS)**
- **Median age of resident: 63.8**
- **Annual operating budget: \$1.2 million (FY2026 Council adopted budget)**

2.1 | Town Services

The Town is responsible for providing services to its residents which include water and sewer service, trash collection, operation of a fuel dock, minimal police protection with reliance on the Accomack County Sheriff's Department, and local land use regulation, although the Town relies on Accomack County for building inspections. While a few commissions exist, the Council acts as the sole authority and does not support any appointed-based commissions such as a Planning Commission, Board of Zoning Appeals, etc. The very nature of the town's relative isolation from traditional county services requires a self-reliance that is unique to Tangier. In Virginia, towns are parts of counties and required to pay real estate and personal property taxes to the counties in return for provision of some county services.

The town staff is comprised of a part-time assistant town manager and a wastewater plant operator/public works employee. The Town's fuel dock is managed by a council member.

2.2 | Town Organization & Finances

The Town operates under a Council-Manager form of government. The Town Council serves as the legislative body responsible for adopting ordinances and resolutions, approving the annual operating and capital budgets, setting

tax rates and user fees, and making local land use and zoning decisions. Since 2025, the Town Council has met on a monthly basis and for special called meetings.

Town Council is comprised of six Council members and a Mayor, who are popularly elected every two years. The Mayor presides over Council meetings and serves as an ambassador of the Town. A Vice Mayor is selected among the members for a two-year term and presides over meetings in the Mayor's absence.

The Town Manager is appointed by the Town Council and serves as the chief administrative officer, responsible for the day-to-day administration of Town operations, supervision of staff, budget preparation, and addressing resident concerns. The Town Manager also serves as chief financial officer and treasurer, procurement officer, clerk for the Council and other commissions. The Town Manager selects and appoints staff, manages contracted services, and acts as a liaison to regional boards and commissions.

Despite operating under a Council-Manager form of government, the town's small and close-knit community and limited resources require a highly collaborative approach between Council and staff working closely together and often sharing responsibilities to ensure the continuity and delivery of services.

The Town Manager position has been vacant since January 2025. In the absence of an appointed Town Manager, the Mayor serves as the town's chief administrative officer, supported by the Assistant Town Manager in overseeing day-to-day operations.

The Town of Tangier's adopted fiscal year 2026 budget totals \$1.2 million. The Town's financial structure includes a General Fund and enterprise funds supporting water, sewer, trash collection, and fuel dock operations. The Town's primary revenue sources are real estate taxes, meals tax revenue from Accomack County, business license fees, utility revenues, and state and federal funds, primarily received through grants.

Prior to fiscal year 2026, the Town had not adopted a budget since at least 2018.¹ At the time of adoption, the FY 2026 budget projected a surplus of \$5. The Town levies real estate taxes once annually each December. The FY26 budget anticipates \$105,000 in real estate tax revenue, along with approximately \$20,000 in delinquent taxes from prior years. General Fund expenditures for FY26 total \$136,076, offset by total revenues of \$170,130, resulting in a projected net balance of \$34,054. The Town's enterprise funds currently operate at a deficit and rely on transfers from the General Fund.

A mid-year budget analysis indicated that revenue assumptions for water, sewer, and trash services, particularly utility collection estimates, were overstated during budget development, resulting in increased financial pressure on the General Fund. Enterprise funds are intended to be self-sustaining; however, the Town's reliance on General Fund subsidies indicates that existing user fees and rates are insufficient. This issue is

further compounded by the absence of dedicated reserve funds for asset replacement or future capital investment. Consequently, the Town relies heavily on grant funding to address capital needs, which can create challenges in meeting required local matching obligations.

Town Enterprise Funds

The Town provides water, sewer, and trash collection services to approximately 220 customers. Water service is billed at a flat monthly rate of \$26, wastewater service at \$44 per month, and trash collection at \$10 per month. A reduced-rate schedule is available for income-qualified customers, with approximately 35 participants currently enrolled. Seasonal residents often "opt out" of water, sewer, and trash collection services when not on the island. Utility billing and collections are administered by the Assistant Town Manager.

The Town's remaining enterprise fund is a fuel dock, acquired in the early 2020s, which enables the Town to manage fuel storage and dock operations in support of the local fishing fleet and visiting vessels.

Wastewater Treatment Plant

Prior to the construction of a central water and wastewater treatment plant (WWTP) in the 1980s, town residents relied on cisterns and private wells for drinking water and individual septic tanks for sewage disposal. The Town of Tangier currently operates a wastewater treatment plant (WWTP). The plant was constructed and came online in the 1980s and has a permitted treatment capacity of 100,000 gallons per day, an amount significantly greater than needed for a Town with a minimal population and no large commercial dependent users.

¹ Virginia Local Fiscal Distress Monitoring Process Auditor of Public Accounts Financial Assessment Questionnaire. Locality Explanation Question 1. April 2025.

According to Council members, the WWTP and wastewater collection system have received only limited routine and preventive maintenance over the years, and approximately \$800,000 in debt remains outstanding from prior improvements. The Town employs one staff member to operate the plant, who also performs other municipal duties as needed. In addition, the Town utilizes services of a private licensed operator to perform duties to meet Virginia Department of Environmental Quality (DEQ) and Virginia Department of Health (VDH) requirements.

Given the operational challenges, the Town has initiated discussions with the Hampton Roads Sanitation District (HRSD) regarding the potential transfer of ownership and operational responsibility for the system. Although discussions remain in early stages, such transfer could reduce the Town's long-term financial and administrative burden. A potential obstacle to any transfer is the Town's existing debt service obligation financed through the Virginia Resources Authority (VRA). HRSD may be unwilling to assume this outstanding debt, and if ownership of the system is transferred, the Town would no longer be able to use utility fee revenues to offset the associated debt payments.

Water System

The Town also operates a municipal water system serving 218 residential and commercial service connections. The groundwater-based system, much like the Town's wastewater system, is operated by part-time Town staff, and preventative maintenance is not a high priority. Monthly customer billing and collections are carried out by the Assistant Town Manager. While the Town previously installed water meters utilizing grant funds, the meters are not in use, and all customers are billed on a flat rate basis.

Refuse Collection System

The Town contracts with a private contractor for twice-weekly solid waste collection in the Town. In 2025, the Town Council formalized this arrangement through a written contract, establishing clear service expectations and reducing operational costs. Prior to the new contract, a Town staff member at the WWTP would assist with residential and commercial trash collection, which diverted attention from other responsibilities.

To further reduce costs, the Town Council now requires commercial businesses to arrange their own refuse collection and disposal through independent private contractors. Previously, the Town's trash was transported to the Accomack County landfill by a county-owned barge. Currently, the Town collected trash is incinerated on-site, while white goods and other metals are stored on-site until they can be transported to the County landfill.

For Fiscal Year 2026, revenues and expenses for the Town's wastewater, water, and refuse collection services are combined into a single operational budget. While some line items clearly identify the specific service they support, it is difficult to determine whether any individual operation is generating a surplus or running a deficit. Due to this consolidated budgeting approach, the Town Council has transferred funds between operational budgets, or from the General Fund or Fuel Dock Fund to cover operational shortfalls, or in the case of the Sewer Fund, to make debt service payments.

Fuel Dock

The fuel dock was purchased by the Town in the early 2020s from Tangier Oil Company, with the purchase being funded through an Environmental Protection Agency (EPA) grant of \$2.3 million. In addition, the EPA grant provided funding for renovations and improvements at the fuel dock facility, and also included:

- Strategic planning and consulting;
- Environmental operations support;
- Utility spare parts and critical equipment purchase and replacement; and
- Flood gates and stormwater management infrastructure engineering services.

Projects related to the fuel dock repairs are currently underway, which include the replacement of the fuel storage tanks, acquisition of new fuel dispensers, and modifications to the administrative offices. The funds for the project are overseen by a representative of DEQ, who coordinates reimbursement to the Town with the engineering firm and contractors for the work. One of the members of Town Council provides management oversight for the fuel dock operations and has negotiated with the Town's fuel provider for a payment plan for unpaid fuel purchases from prior years. Estimated at nearly \$200,000 at the beginning of calendar year 2025, the remaining past due amount is approximately \$104,000 as of February 2026.

Airport/Landing Strip

Tangier's airport, constructed in 1966, features a single 2,426-foot asphalt runway with accompanying taxiways. The facility does not offer refueling, maintenance, or hangar services, and a \$10 landing fee is collected on an honor

system from each aircraft. The airport serves as a critical alternative access point for the Town, especially during the winter months when ferry service is limited or when ice on the Chesapeake Bay prevents the single mail and provisions ferry from Crisfield, Maryland, from reaching the island. Review of materials provided by the Town indicates that no budget outlining projected revenues and expenses exists for the airport, and no capital improvement plans have been submitted.

2.3 | Financial Challenges

When the current Town Council was seated in January 2025, it became immediately evident to them that the town was experiencing significant financial and administrative challenges. The newly seated Council requested details regarding the Town's cash position and learned that numerous contractor invoices and debt service payments were outstanding. In addition, required employment tax payments had not been remitted to the Internal Revenue Service or the Virginia Department of Taxation,² and required grant reporting and communications with state agencies had not been addressed.

The Council also determined that the town had not adopted budgets for multiple fiscal years and that the Town Manager had not been providing regular financial reports to the Council. It remains unclear whether regular Council meetings were being held, as meetings were not publicly announced or advertised in accordance with the requirements of the Code of Virginia. In addition, the town was unable to locate previously issued certificates of deposit (CDs) totaling approximately \$200,000.

² Virginia Local Fiscal Distress Monitoring Process Auditor of Public Accounts Financial Assessment Questionnaire. Locality Explanation Question 18. Two bills received from the IRS for \$25,000. April 2025.

Upon reviewing the Town's financial position, the Council separated from Town Manager Laurie Thomas on January 6, 2025. While the outgoing manager provided password access to the town's accounts, she did not cooperate in supplying information required for multifactor authentication, which had been set up on the town's single computer and its limited financial systems.³ As a result, Council members and the Assistant Town Manager were effectively unable to access the town's central financial system in QuickBooks. The Council initiated a new QuickBooks account beginning in 2025; however, there is little to no historical financial data from prior years.⁴ Combined with the absence of any adopted budgets or other financial statements since 2018, there is no historical data to understand the town's position or financial trends.

The Town Council and Town Attorney made numerous attempts to contact the former town manager to gain access to the necessary financial systems, but these efforts went unanswered. As the town's financial situation became clearer to the Council, state agencies began corresponding with the Auditor of Public Accounts (APA) regarding significant budgetary and fiscal challenges and concerns.

The Virginia Department of Environmental Quality directly notified the APA regarding communications with Town officials concerning the misappropriation of grant funding for associated improvements to the Fuel Dock and noncompliance with grant requirements. Similarly, the Virginia Department of Accounts provided the APA with information regarding

the Town's reporting obligations for Coronavirus State and Local Fiscal Recovery Funds (COVID funding) and noted noncompliance with U.S. Treasury reporting requirements. The Town was subsequently informed that the U.S. Treasury was prepared to recoup \$360,000 in federal assistance. It was later determined that prior communications from the Treasury had been sent to an inactive Town email account. The Town Council has since developed and submitted the required reports to satisfy the reporting obligations. Simultaneously as issues related to state and federal funds were discovered, it became clear that loan payments were becoming delinquent, and the Town's insurance premiums were at least six (6) months in arrears. It also appeared that the former town manager had previously transferred funds between accounts to help mitigate revenue and budget shortfalls; these transfers were not reviewed, approved, or authorized by Council.⁵

In April 2025, the Virginia Resources Authority notified the APA that the Town had not made the required debt service payment due on April 1 for its Drinking Water State Revolving Fund loan. The VRA further indicated that the Town was in violation of the loan terms, as audited financial statements had not been provided. The most recent complete audit that can be found was for FY 2010, which was completed in 2012.

3 *Ibid.* Supplemental Background from APA Tangier Financial Assessment Questionnaire. April 2025.

4 *Ibid.* Question 27.

5 Virginia Local Fiscal Distress Monitoring Process Auditor of Public Accounts Financial Assessment Questionnaire. Locality Explanation Question 6 and 8. April 2025.

Timeline of Events

- **January 2025** – new Council seated; town manager terminated.
- **February/March 2025** – VML/VACo Finance Review and Report on Accounting Review and Recommendations for the Town.
- **March/April 2025** – numerous state agencies communicate directly with Auditor of Public Accounts regarding the Town’s fiscal and budgetary challenges.
- **April 2025** – APA contacts town officials requesting participation in review process.
- **April 2025** – Town secures interest free loan from the Swain Memorial United Methodist Church for \$50,000 to make delinquent payments to engineering consultant firm working on DEQ grant project.
- **July 2025** – APA notifies Governor, legislative committees, and Tangier officials that the town is fiscally distressed.
- **August 2025** – FY 2026 budget adopted by Town Council. First budget adopted since 2018.
- **August/September 2025** – Town voluntarily chooses to participate in early intervention process through DHCD/CLG.
- **October 2025** – DHCD staff visit with Town officials in Tangier and discuss early intervention process.
- **December 2025** – Commonwealth of Virginia contracts with Berkley Group to conduct financial assessment to develop a fiscal recovery roadmap for the Town of Tangier and determine next steps.

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METHODOLOGY AND APPROACH

All political subdivisions of the Commonwealth of Virginia are required to carry out certain fiduciary responsibilities in accordance with the Code of Virginia. In addition, recipients of state or federal grant funding are typically required to provide financial and compliance information as a condition of receiving such funds. All localities in Virginia are required to operate and function in accordance with:

- Title 15.2 Counties, Cities, and Towns of the Code of Virginia; and
- Levy and collect taxes in accordance with the authority and procedures set forth in Title 58.1 of the Code of Virginia.

The framework for the locality assessment is based upon these legal and guiding principles.

Upon notification of the Commonwealth's approval of a contract on December 17, 2025, to assess the Town of Tangier's financial challenges, Berkley Group initiated work to meet the established forty-five (45) day deadline for submission of a draft report to the Department of Housing and Community Development. The methodology employed to address an assessment of the Town of Tangier's fiscal condition included a range of information gathering tasks, including online and onsite review of the Town's available financial records, onsite and remote interviews with Town officials, and discussions with regional stakeholders.

Given the remote location of the town and the challenges associated with accessing the island, the project team relied on available online information and conducted virtual meetings with key stakeholders. During Berkley Group's initial assessment of available online information and preliminary conversations with Town leadership, it became apparent that the Town's current financial challenges evolved over an extended period of time, beginning with failure to conduct an annual financial audit in FY 2011. The team further determined that regular financial reporting has not been provided to Council for many years. Upon review of readily available data and initial discussions with available Town officials, project team members reached a general conclusion that the Town's financial and leadership challenges are significant, and implementation of any recommendations will take a considerable amount of time, training, discipline, and effort to implement.

3.1 | Study Approach

Berkley Group's approach to delivering financial and operational solutions for the Town were developed based upon our experience in:

- Advising and assisting in managing localities that face financial challenges;
- Identifying high-impact solutions that are sustainable and far-reaching; and
- Developing implementation-focused solutions that are realistic and achievable.

Throughout this assessment phase, Berkley Group team researched information readily available, held numerous phone calls or virtual meetings with Town officials and stakeholders to maximize our team's understanding of the Town's financial and operational situation and ensure that recommendations and solutions are achievable. The Berkley Group team approach included the following phases:

Assess:

- Kickoff meeting with DHCD staff and Town officials (conducted virtually);
- Submitted checklists of requested items;
- On-site meetings with Town officials to review documents, interview stakeholders, and review town files; and
- Review operational processes, determine gaps, and match potential solutions.

Document Key Findings:

- Document findings from research, stakeholder interviews and on-site visits, and best practice research;
- Evaluate compliance with statutory framework and guiding practices; and
- Follow-up discussions and requests for additional information.

Solutions-Based Recommendations:

- Identify needed improvements in Town's financial management system;
- Develop recommendations with local context and realistic outcomes; and
- Chart a path for fiscal recovery and provide an implementation matrix.

As noted above, the project team initiated a comprehensive approach in their review of available Town records, processes and procedures as the team worked to assess the Town's financial condition and operational performance which impacts future financial performance.

3.2 | Meetings and Stakeholder Engagement

For this assessment, the project team interviewed Town officials and stakeholders. Internal stakeholders included:

- **Local elected officials serving on Town Council:**
 - Mayor James “Ooker” Eskridge
 - Council Member Anna Pruitt-Parks
 - Council Member Beth Thomas
 - Council Member Tracy Pruitt
 - Council Member Norm St. Pierre
 - Council Member Tommy Eskridge
 - (unable to contact Council Member Kelly Wheatley)
- **Town officials:**
 - Jenny Parks, Assistant Town Manager
 - Tommy Eskridge, Fuel Dock Operator
- **Regional stakeholders:**
 - Michael Mason, Accomack County Administrator
 - Elaine Meil, Executive Director, Accomack-Northampton Planning District Commission
- **Other Stakeholders:**
 - Kevin Cline, DEQ
 - Michelle Gowdy, VML
 - Nora Pierre, VRSA
 - Leo Radkowski, Town’s consultant on DEQ fuel dock grant

The project timeline requires a draft report to be submitted to DHCD within 45 days. The project schedule included:

- **Week 1:** Project Initiation & Kickoff
- **Week 2:** Data Collection, Desktop Review, and On-site Visit Preparation
- **Week 3:** On-site Visit and Interviews
- **Week 4:** Additional Stakeholder Engagement & Analysis Review
- **Weeks 5-6:** Report Drafting & Development
- **Week 7:** Report Finalization & Submission to DHCD

The Berkley Project Team conducted an on-site visit with available Tangier elected officials and staff on January 19, 2026, to conduct a review of available Town financial systems and records. Mayor James “Ooker” Eskridge and Town Council members Anna Pruitt-Parks, Beth Thomas and Tracy Pruitt and Assistant Town Manager Jenny Parks were interviewed. In addition, a completed questionnaire from Council Member Norm St. Pierre was provided to the Team.

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ASSESSMENT OF THE TOWN OF TANGIER'S CURRENT SITUATION

The Town of Tangier's financial challenges are not necessarily unique to small towns throughout the Commonwealth of Virginia; however, its relative isolation from outside resources, need for self-reliance and by extension, self-governance requires a unique approach.

4.1 | Town Council and Staffing

As described earlier in this report, the Town of Tangier's Town Council consists of an independently elected Mayor and six (6) Council members. The Mayor and recent Councils have limited training and background in local government operations and municipal finance and have generally relied upon staff to manage day-to-day administrative and financial functions.

The current Council has been in contact with the Virginia Municipal League (VML) to obtain Newly Elected Officials Training. This is a program offered to all new local elected officials. The curriculum is developed by VML and training is traditionally offered in Richmond; however, on-site training has been offered to Tangier by VML leadership. Training has been delayed as Council members are challenged in navigating the Town's current financial and operational challenges.

With the consensus of the entire Council, individual members have been working to address financial and operational challenges. It should be noted that the Council is required to act as a body and not a collection of individuals. Financial items need attention from the entire body, particularly when it comes to approving fund transfers, budget appropriations, prioritizing the Town's accounts payable, and understanding the Town's cash position. Current Town staff (Assistant Town Manager and wastewater operator/public works staff member) have limited backgrounds and training in municipal processes as evidenced in on-site discussions and review of written materials.

Historically, the town manager appears to have served as the primary source of institutional knowledge and subject matter expertise for both the Town Council and staff. As the central “go to” resource, the town manager was relied upon heavily for guidance on municipal matters. This reliance on a single individual, combined with limited knowledge of municipal operations and lack of documented policies and practices, has left both the Council and staff attempting to address complex financial and operational challenges without the benefit of any established procedures or standardized practices. As a result, efforts to stabilize the Town’s structure and operations have largely occurred on a crisis-by-crisis basis, with limited knowledge of routine accounting, budgeting, and municipal operational best practices.

4.2 | Organization and Operational Challenges

The following items reflect Berkley Group’s assessment of the Town’s operations and financial position. This independent assessment is based on our experience with municipal government management, financial knowledge, interviews with officials, staff, and stakeholders, as well as an analysis of the information received.

The Assistant Town Manager was trained by the former Town Manager and has learned core responsibilities such as utility and tax billing and revenue accounting primarily through observation and on-the-job experience. While she does not have formal training in local government finance or municipal operations, an on-site review of the Town’s manual and electronic financial systems indicates that she is well organized and detail-oriented in carrying out her responsibilities.

Discussions with current Town Council members revealed that the former Town Manager did not develop an annual budget, nor did the Town Council require production of a budget. With the election and seating of new Town Council members in 2025, the Town produced its first budget in several years. The current budget, which was prepared by a newly appointed Council member, was developed ‘from the ground up’ without benefit of historical data, in depth knowledge of local government budgeting practices, or recognition of practices outlined by the State Auditor of Public Accounts. The Town’s FY 2026 budget (which consists of separate General Fund, Fuel Dock and Water, Sewer and Trash budgets) was adopted in August 2026, past the June 30 deadline established in State Code and lacks clarity in fund separation and adequate detail for line items.

The cumulative budget indicates a positive balance of \$5 while deficits are projected in the Fuel Dock and Water, Sewer and Trash budgets, which appear to be subsidized by the General Fund's projected positive balance.

Revenues and expenses for the Town's water, sewer, and trash budgets for Fiscal Year 2026 are consolidated in one operations budget. While some line items exist which clearly indicate which component operation they support, there is a limited ability to determine if any component operation operates with a surplus or deficit. Because of the consolidated budgets, the Town Council has transferred funds from one operational budget to another, or from the General or Fuel Dock funds to support operational deficits or, in the case of the Sewer Fund, to make debt service payments.

4.3 | Town Accounting Practices

The Town of Tangier lacks access to basic municipal software accounting packages. The Town in the past has utilized QuickBooks, and a Quickbooks system was discovered by Town Council on a Town computer. However, the software requires dual authentication for access. While the former manager provided a password to the Town Council, authentication verification is directed to the former manager's cellphone, and the former manager has been unresponsive to Town Council requests for assistance. During the Berkley Team's site visit it was discovered that the Assistant Town Manager utilizes a separate QuickBooks package for tracking tax and utility invoicing and collection. This application does not tie to the Town's approved budget and is not utilized for any financial or reporting purposes.

4.4 | Cash Flow and Payment Challenges

The Town Council meets as needed to determine how much cash is available via a review of its checking accounts and prioritizes bill payments based upon available cash. Consequently, some vendors are unpaid. The Town has not tracked monthly revenue and expenses against its revenue and expenditure line items in the adopted FY 2026 budget, and without adopted budgets in prior fiscal years has not functioned with a traditional municipal budgeting accounting process which allows for monitoring cash flows.

The current Town Council, due to depleted cash levels in the Town's bank accounts and a need to satisfy select vendor invoices, initiated an unsecured, interest free borrowing of \$50,000 from the Swain Memorial United Methodist Church in 2025. To date, \$25,000 of the original loan has been repaid, but repayment without an assessment of cash flow for the remainder of the fiscal and calendar year has depleted the Town's cash position as tax receipts collected in December 2025 were depleted. In addition, the Town has outstanding obligations to both the VRA and USDA.



4.5 | Revenue Shortfalls

In the absence of an adopted annual budget and routine monthly monitoring of revenues and expenditures, it is difficult to fully evaluate the extent of revenue shortfalls contributing to the Town's current financial condition. The Town relies heavily on real estate taxes, both current collections and delinquencies, which account for approximately 62% of projected FY2026 General Fund revenues, and it does not levy a personal property tax.

For tax year 2025, \$87,585 in real estate taxes were billed, of which \$71,166 have been collected through December 2025, leaving an outstanding balance of \$16,419. This represents a delinquency rate of 18.7%, which exceeds typical collection norms for most Virginia local governments. In addition, the Town reports \$34,619 in unpaid real estate taxes from tax years prior to 2025. As noted, the level of delinquent real estate taxes is higher than generally considered acceptable under common local government standards and best practices. In response, the Town Council has initiated steps to retain legal counsel to pursue collection of past-due real estate taxes.

In reviewing the Town Code, the Berkley team identified several revenue-generating ordinances previously adopted by the Town Council that are not currently being enforced or administered. These include an admissions tax intended to capture revenue from charter boat visitors to the island, as well as a short-term lodging tax and a meals tax.

Based on discussions with Council members, these measures were adopted to increase revenues derived from tourism and visitor activity. However, following adoption, individuals subject to the taxes expressed concerns regarding the confidentiality of the financial information they would be required to report. As a result, although the ordinances remain in effect, the taxes are not being collected, and the associated revenue mechanisms are not being implemented.

Council members further indicated that an additional one percent was added to the Town's sales tax ordinance in FY2026 to help offset revenues that would otherwise have been generated through the meals tax.

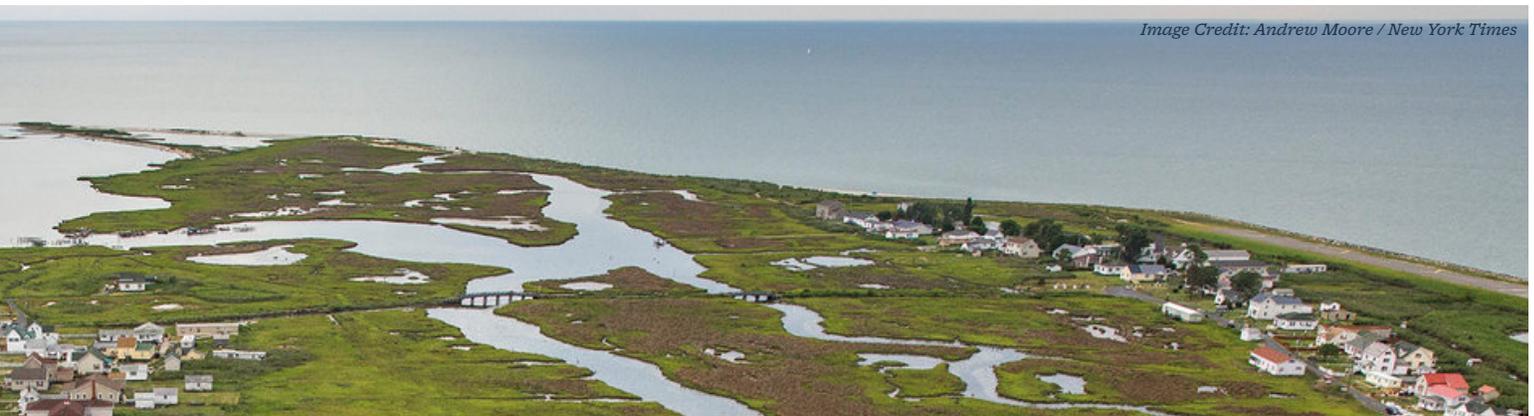


Image Credit: Andrew Moore / New York Times

4.6 | Structurally Imbalanced Budgets

The FY 2026 budget adopted by the Town Council for the Town of Tangier is comprised of three major budget categories. The General Fund, Fuel Dock Fund and Water, Sewer and Trash Funds are represented below:

Town of Tangier FY 2026 Budget	Revenues	Expenses	Net
General Fund	\$170,130	\$136,076	+\$34,054
Fuel Dock	\$793,347	\$809,944	-\$16,597
Water, Sewer, and Trash	\$222,240	\$239,693	-\$17,453
Total	\$1,185,717	\$1,185,712	+\$5

As noted in the chart above, activities that would ordinarily be accounted for as enterprise funds under accepted governmental accounting standards, specifically the fuel dock, water, sewer, and trash operations, are projected to operate at a deficit and are being supported through transfers from the Town’s General Fund. The information provided for these funds does not contain sufficient detail to clearly identify the underlying causes of the deficits, and those interviewed did not demonstrate a clear understanding of the risks those deficits pose.

Based on information gathered through Council interviews and a review of documents provided by the Town, it appears that the Town’s water, sewer, and trash rate structure is a primary factor contributing to deficits in the Water, Sewer, and Trash Fund. Council members demonstrated a stronger understanding of revenues and expenses related to trash collection than with water and sewer operations. Without adjustments to the current water and sewer rate structure, the structural imbalance in this fund is expected to persist and likely worsen as operational costs continue to rise.

The Town faces critical financial challenges in many areas, due to billing and revenue collection inadequacies and discrepancies; high debt load relative to accepted norms; an inability to pay annual insurance premiums for the Town; and the inability of the Town to produce a timely audited financial report. Taken together, these items reflect serious concerns about the Town continuing as an ongoing incorporated community.

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SUMMARY OF FINDINGS

The Town of Tangier is operating with persistent governance, staffing, systems, and financial-control shortfalls that together create immediate and significant fiscal and compliance vulnerability. The Town Council has long lacked consistent external oversight and routine internal practices for basic municipal financial management, including budget preparation and adoption schedules, monthly financial reporting review, and year-end closeouts. The adopted fiscal year 2026 budget, while an improvement over prior years, lacks adequate line-item detail, fund separation, and clear delineation of anticipated and restricted grant revenues. Compounding these weaknesses, the Town has very limited staff capacity, are undertrained for the full range of municipal accounting and reporting tasks, and no documented processes exist for transferring institutional knowledge when turnover occurs.

Systems and recordkeeping are likewise deficient. Tangier does not have an effective municipal accounting system in place to reliably record receipts and expenditures, and the former Town Manager's electronic records are presently inaccessible. The Town has not completed an independently prepared annual financial report since at least 2010; while small-town audit requirements vary, several lenders and grantors (e.g., VRA, USDA, federal/state programs) require audited financial statements and the Town currently acknowledges it is not in compliance. Available supporting documents for prior years exist but remain unreconciled and therefore not audit-ready.

Operational practices have produced measurable fiscal stress and inefficiency. Cash-flow planning is inadequate; the FY2026 budget projects real-estate taxes at 49.6% of General Fund revenue, yet the Town faces roughly \$90,000 of obligations due in June 2026 with only approximately \$56,000 in the General Fund as of December 2025. Procurement and contracting have been informal, resulting in avoidable expenses (e.g., equipment leases with no competitive process or fixed end dates, subscription purchases, and project purchases made without clear Council guidance). Grants critical to the Town (including EPA fuel dock work and other federal/state programs) are being administered outside of core Town staff capacity; pandemic-era reporting failures underscore the risk of recoupment or penalties. Finally, utility billing practices (flat-rate water charges despite installed but unused meters) are generating revenue leakage, increasing production and treatment costs without corresponding revenue to the water and sewer enterprise funds.

The Fraud and Operational Risk Assessment that follows aggregates these findings into a risk-based framework that rates each issue by likelihood, impact, priority, and recommended remediation timeframe. Items rated “Critical” (high likelihood and high impact), such as cash-flow exposure, inaccessible records, unreconciled audits, grant reporting failures, and utility revenue leakage, require immediate stabilization actions. Near-term (30 to 90 day) reforms should address reconciliations, payroll and procurement controls, independent review, and emergency legal/forensic steps. Longer-term work should focus on systems (accounting/ERP or outsourced processing), multi-year budgeting, reserve policy, and restored audit cadence. The Assessment corresponds and links with the Implementation Plan found in Section 6 of this report. Responsible parties, specific milestones, and a monitoring cadence will translate these findings into actionable steps to stabilize finances, ensure transparency, restore compliance, and reduce fraud exposure.

Notes

1. In each component unit, the matrix assigns a responsible party. In the absence of a Town Manager, responsibilities fall to the Assistant Town Manager. However, timely completion of all items identified ultimately resides with Town Council.
2. A common theme throughout the root causes for risk areas is the lack of staff capacity and by extension, lack of knowledge or training to manage items.
3. The items outlined in the matrix are significant and it should be noted that it is impossible for one person or one position to accomplish all of these items in the timeframe prescribed. Additional resources will be required to successfully accomplish these tasks.

5.1 | Fraud and Operational Risk Assessment

Primary Risk Area – Financial Statement & Grant Fraud (Fraud Risk Matrix ID #1 – 25)

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
1	Procurement & Purchasing Fraud	Unauthorized transfers/diversion of funds (internal or by former manager)	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Single person access; multi-factor authentication tied to former manager; no dual signatory on checks. • Existing Controls: Council monthly bank balance review. • Recommended Controls: Change online banking credentials; remove old signatories; require dual sign-off for checks over certain amounts; implement positive pay. • Detection Procedures: Daily bank monitoring; bank confirmations • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
2	Procurement & Purchasing Fraud	Missing/hidden bank accounts	Medium	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Poor documentation; former manager had exclusive control of accounts. • Existing Controls: Partial bank statements recovered. • Recommended Controls: Bank confirmation letters for all possible accounts; forensic bank search; subpoena former Town Manager, if necessary. • Detection Procedures: Bank confirmations; reconcile deposits to general ledger; look for unusual transfers. • Owner: Town Council / External forensic accountant 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
3	Procurement & Purchasing Fraud	Stale checks/cancelled liabilities	Medium	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Irregular reconciliations; no month-end closing process. • Existing Controls: Occasional check register review. • Recommended Controls: Monthly bank reconciliations by independent reviewer; hold stale check reports. • Detection Procedures: Analytical review for long-outstanding checks; examine endorsements. • Owner: External CPA / Assistant Town Manager 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
4	Procurement & Purchasing Fraud	Grant reporting misstatements/improper use/failure to comply	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; missing reporting; past noncompliance. • Existing Controls: Some corrective reports submitted post-deadline. • Recommended Controls: Centralize grant files; assign a responsible grant manager (contracted support); reporting calendar; checklists for each active grant. • Detection Procedures: Cross-check grant draws to expenses; reconcile grant general ledger accounts; review federal portals where they exist. • Owner: Town Council / Assistant Town Manager/ Project Contractor 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
5	Procurement & Purchasing Fraud	Misappropriation of grant funds (DEQ)	Medium	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training, minimal internal controls; lack of internal oversight of grant compliance. • Existing Controls: DEQ raised concerns to APA; project contractor assists with uniform reimbursement requests and grant management on behalf of Town. • Recommended Controls: Forensic review of grant expenditures; require procurement and invoice traceability; require grant match documentation. • Detection Procedures: Trace expenditures to grant budgets; vendor contracts; deliverables. • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
6	Procurement & Purchasing Fraud	Grant reporting failures risk recoupment	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training, limited grant administration capacity; lack of internal oversight of grant compliance. • Existing Controls: DEQ representative oversight on reimbursements; prior missed reporting (COVID funds) • Recommended Controls: Require qualified grant administrative support (PDC); forensic audit of fuel dock operations & grant use; freeze discretionary spending on affected projects until audits are complete. • Detection Procedures: Single Audit performed/completed. • Owner: Town Council / Assistant Town Manager / External grant administrator (if applicable) 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
7	Procurement & Purchasing Fraud	Failure to make or misapply debt payments (VRA/USDA), hiding defaults	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training, general ledger; no annual audits; missed April 1, 2025 payment. • Existing Controls: VRA notified APA of missed payment. • Recommended Controls: Prioritize debt service; establish calendar and alerts; bank auto-pay with oversight. • Detection Procedures: Confirm payments with lenders; reconcile loan balances to amortization schedule. • Owner: Town Council / Assistant Town Manager 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
8	Procurement & Purchasing Fraud	Falsified or fabricated financial statements/ audit obstruction	Medium	High	Critical	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Missing audits since 2010; former manager uncooperative. • Existing Controls: Some manual records, partial QuickBooks. • Recommended Controls: Forensic reconstruction of general ledger; engage CPA firm for audit backlog; require regular audit schedule for reporting to satisfy grant requirements. • Detection Procedures: Compare bank records to reported figures; independent audit. • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
9	Procurement & Purchasing Fraud	Unauthorized manual journal entries to conceal misstatements	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Single person journal control; lack of review. • Existing Controls: No general ledger review process. • Recommended Controls: Require journal entry log; approvals for adjusting entries; independent review for material journal entries. • Detection Procedures: Review large/odd journal entries; analytics on round numbers or reversals. • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
10	Procurement & Purchasing Fraud	Theft or misstatement of fixed assets (fuel dock equipment, airport assets)	Medium	Medium	Medium	90 Days
<ul style="list-style-type: none"> • Root Cause(s): No asset register; poor inventory controls. • Existing Controls: Unknown. • Recommended Controls: Create asset register; tag assets; periodic physical inventory; disposal policy. • Detection Procedures: Periodic physical inventory reconciled to asset register. • Owner: Town Council / Assistant Town Manager 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
11	Procurement & Purchasing Fraud	Real estate tax collection/ selected waivers	Medium	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): High delinquency rates; manual collection. • Existing Controls: Town Attorney pursuing collection. • Recommended Controls: Standardize delinquency process; record waivers in Council minutes; require legal review; place liens on properties for uncollected taxes as permitted by State Code. • Detection Procedures: Reconcile billed vs. collected taxes; review abatements/waivers. • Owner: Town Council / Town Attorney / Assistant Town Manager 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
12	Procurement & Purchasing Fraud	Loans from community organizations (e.g., Swain Memorial UMC) not documented	Medium	Medium	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Informal borrowing; no documentation. • Existing Controls: Church loan exists with promise to repay \$5,000 per month until satisfied. • Recommended Controls: Document loan agreement, repayment schedule, Council resolution authorizing borrowing. • Detection Procedures: Reconcile loan ledger; bank transfers or cancelled checks to church; repayments. • Owner: Town Council / Town Attorney 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
13	Procurement & Purchasing Fraud	Misreporting or lack of reporting (DEQ, Treasury)	Medium	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training, lack of reporting controls. • Existing Controls: Prior noncompliance flagged; DEQ project contractor established grant controls. • Recommended Controls: Centralized calendar; approval process for submissions; independent review before filing. • Detection Procedures: Track submission receipts; confirm agency acceptance. • Owner: Town Council / Assistant Town Manager / Contractor or Consultant 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
14	Procurement & Purchasing Fraud	Public projects awarded to relatives of decision-makers	Medium	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Small community with limited competition available; informal practices. • Existing Controls: Unknown; none that are apparent. • Recommended Controls: Adopt a conflict-of-interest policy in compliance with Virginia COIA; require annual disclosures; recusal procedures for Council members. Recommend Council members and staff participate in COIA training. • Detection Procedures: Cross-reference vendor ownership to Council/staff lists. • Owner: Town Council / Assistant Town Manager / Town Attorney 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
15	Procurement & Purchasing Fraud	Event/donation funds mismanaged or diverted	Low-medium	Medium	Medium	90 Days

- **Root Cause(s):** Ad hoc collection; informal handling and tracking.
- **Existing Controls:** No documented standard operating procedures.
- **Recommended Controls:** Use cash logs; deposit same day; segregate collections and reconciliation.
- **Detection Procedures:** Compare event receipts to deposits.
- **Owner:** Town Council / Assistant Town Manager

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
16	Procurement & Purchasing Fraud	Destruction or withholding of records to impede audit/investigation	High	High	Critical	Immediate

- **Root Cause(s):** Former town manager uncooperative; single laptop where Town accounts and files reside.
- **Existing Controls:** Some hard copies of files exist.
- **Recommended Controls:** Initiate legal proceedings to recoup town-owned data and files; engage forensic IT to extract copies; change credentials; implement backups; migrate to cloud with role-based access.
- **Detection Procedures:** Verify integrity of extracted data; access logs; audit trails.
- **Owner:** Town Council / Assistant Town Manager / Town Attorney / IT Consultant / External Forensics

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
17	Asset Misappropriation & Cash Handling	Locked QuickBooks/multi-factor authentication abuse preventing data access (evidence obstruction)	High	High	Critical	Immediate

- **Root Cause(s):** Multifactor authentication tied to former manager; single computer.
- **Existing Controls:** QuickBooks on town-issued laptop to former town manager, multi-factor authentication setup by former town manager.
- **Recommended Controls:** Initiate legal proceedings to recoup town-owned data and files; engage forensic IT to extract copies; change credentials; implement backups; migrate to cloud with role-based access.
- **Detection Procedures:** Verify integrity of extracted data; access logs; audit trails.
- **Owner:** Town Council / Assistant Town Manager / Town Attorney / IT Consultant / External Forensics

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
18	Asset Misappropriation & Cash Handling	Data Tampering or Deletion of Records	High	High	Critical	Immediate

- **Root Cause(s):** Single device with no back-ups.
- **Existing Controls:** Limited backups.
- **Recommended Controls:** Image forensic copies; implement backups; enable audit logs; restrict administrative rights.
- **Detection Procedures:** File modification timestamps; compare backups; audit logs.
- **Owner:** Town Council / Assistant Town Manager / Town Attorney / IT Forensics / CPA

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
19	Asset Misappropriation & Cash Handling	Lack of basic ERP system	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; fragmented accounting tools and no standardized chart of accounts; limited internal IT support. • Existing Controls: Assistant Town Manager maintains some financial transactions in QuickBooks. • Recommended Controls: Procure/implement a small-town municipal accounting package or retain third-party accounting firm for processing; train staff; standardize chart of accounts. • Detection Procedures: Monthly financial reporting to Council and independent third-party review; IT controls in place for access and security. • Owner: Town Council / Assistant Town Manager / CPA / IT Support 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
20	Asset Misappropriation & Cash Handling	Lack of professional town manager	High	Medium	Medium	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Geographic isolation; limited housing and incentives. • Existing Controls: Some reliance on contractors and local civic support. • Recommended Controls: Explore alternative staffing models (remote, shared services, stipend/incentive programs), partner with regional agencies, recruit qualified staff, or contract with a qualified third-party vendor for professional support. • Detection Procedures: Determination that management oversight position filled or contracted. • Owner: Town Council 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
21	Asset Misappropriation & Cash Handling	Projects and maintenance have been completed informally by Council, staff and volunteers, lack of documented project oversight	Medium	Medium	Medium	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; community-driven efforts; lack of project governance. • Existing Controls: Community and Council engagement has compensated for staffing gaps. • Recommended Controls: Adopt simple project governance process (project owner, scope, budget, vendor selection) and require Council sign-off for capital projects; document volunteer roles and liability. • Detection Procedures: N/A • Owner: Town Council / Assistant Town Manager 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
22	Asset Misappropriation & Cash Handling	Absence of segregation of duties (SoD) enabling multiple schemes	High	High	Critical	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Two staff total; part-time roles; no separation. • Existing Controls: No formal Segregation of Duties (SoD). • Recommended Controls: Implement compensating controls: rotate duties; external review; independent monthly review by CPA. • Detection Procedures: Control checklist audit; SoD matrix. • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
23	Asset Misappropriation & Cash Handling	No consistent monthly or annual financial monitoring processes; no checklists	Medium	High	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; absence of documented processes and checklists. • Existing Controls: Manual ad-hoc bookkeeping by Assistant Town Manager; limited checklists. • Recommended Controls: Engage independent financial assistance to develop daily/weekly/monthly checklists and implement process controls; train staff. • Detection Procedures: Develop and use checklists for weekly, monthly, annual reconciliations with third party review for compliance. • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
24	Asset Misappropriation & Cash Handling	No independent audit since 2010; unreconciled backlogs threaten compliance with lenders/grantors	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Failure to prioritize audits; backlog of reconciliations and incomplete financial records. • Existing Controls: Limited or no reconciliations; missing year-end close processes. • Recommended Controls: Retain CPA to create month & year-end close procedures, assess backlog, prioritize reconciliations, and perform FY2026 audit and prior audits as feasible. • Detection Procedures: Conduct full audit in accordance with grant requirements and submit annually to the APA. • Owner: Town Council / CPA 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
25	Revenue, Billing, and Cash Flow	FY26 Budget lacks line-item detail, fund separation; clear grant revenue delineations	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Inadequate budget development capacity; lack of APA guidance and fund separation; limited historical data. • Existing Controls: Fiscal year 2026 adopted budget exists but lacks detail. • Recommended Controls: Obtain APA-aligned consultant help to reformat budgets, separate funds, and apply APA reporting categories; produce checklist for budget prep. Develop FY27 budget template utilizing consultants for guidance through budget process. • Detection Procedures: Third party review of budget structure, preparation, adoption, and appropriation. • Owner: Town Council / Assistant Town Manager / Consultant 						

Primary Risk Area – Utility & Fee Revenue Fraud (Fraud Risk Matrix ID #26 – 33)

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
26	Asset Misappropriation & Cash Handling	Utility revenue theft (manipulated bills, flat-rate abuse)	High	High	Critical	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Flat rates; no usage monitoring. • Existing Controls: Meters installed but not used. • Recommended Controls: Recommission meters if possible; implement meter reading program; reconcile consumption to billing; segregate billing duties. • Detection Procedures: Trend analysis of consumption vs billing; spot checks; audits of meter reads. • Owner: Town Council / Assistant Town Manager / Consultant 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
27	Asset Misappropriation & Cash Handling	Fuel dock cash skimming/unrecorded sales	Medium	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Fuel dock cash operations; limited oversight. • Existing Controls: Fuel dock newly acquired, few controls. • Recommended Controls: Implement point of sale (POS) system; cash log; daily cash reconciliation; CCTV. • Detection Procedures: Daily cash reconciliation vs fuel sales; pump volume vs sales; CCTV review. • Owner: Fuel Dock Manager / Assistant Town Manager 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
28	Asset Misappropriation & Cash Handling	Admissions/meals/lodging taxes enacted but not collected/recorded	High	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Taxes in code but not administered. • Existing Controls: Known but not collected. • Recommended Controls: Enact collection program; register businesses; audits of tourism operators; confidentiality safeguards. • Detection Procedures: Reconcile business license lists to tax returns and lodging occupancy. • Owner: Town Council / Assistant Town Manager / Town Attorney 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
29	Asset Misappropriation & Cash Handling	Poor cash flow planning; dependency on single annual real estate tax; upcoming large obligations June 2026	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Overreliance on single annual tax revenue; lack of cash forecasting and reserves. • Existing Controls: Monthly bank balance reviews only; ad-hoc borrowing (church loan). • Recommended Controls: Build cash-flow projections, consider semi-annual tax billing, improve collections, and implement diversified tourism taxes (meals/ lodging/ admissions). • Detection Procedures: Monthly reconciliation by independent third party • Owner: Town Council / Town Manager / CPA 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
30	Asset Misappropriation & Cash Handling	Asset/inventory diversion at WWTP; phantom contractor invoices	Low-Medium	Medium	Medium	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Minimal staff; reliance on contractor. • Existing Controls: Licensed DEQ operator visits. • Recommended Controls: Require contractor contracts; time sheets; materials logs; invoice backup. • Detection Procedures: Inspect site; contractor time logs; delivery receipts. • Owner: Town Council / Assistant Town Manager / DEQ oversight 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
31	Asset Misappropriation & Cash Handling	Flat rate water billing while meters exist but unused (revenue leakage; enterprise funds running deficit)	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Meters installed but not used; outdated rate structure; weak utility billing controls. • Existing Controls: Flat billing; meters installed but dormant. • Recommended Controls: Conduct meter condition assessment; perform a utility rate study / cost-of-service analysis; consider transfer of WWTP to HRSD if economically beneficial. • Detection Procedures: Varies. • Owner: Town Council / Assistant Town Manager / Utility & Engineering Consultant 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
32	Asset Misappropriation & Cash Handling	WWTP is oversized, minimally staffed, has limited preventive maintenance and associated debt; Council considering transfer to HRSD.	Medium	High	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Aging infrastructure; limited operating capacity and revenue to service debt. • Existing Controls: Licensed DEQ operator visits; ad-hoc maintenance. • Recommended Controls: Initiate structured discussions with HRSD; commission financial analysis on debt implication and transfer costs; develop contingency operations plan if transfer not feasible. • Detection Procedures: N/A • Owner: Town Council / Assistant Town Manager / HRSD liaison 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
33	Asset Misappropriation & Cash Handling	Fuel procurement fraud (overbill, cut deliveries)	Medium	High	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Fuel supply chain; cash handling. • Existing Controls: Fuel purchases not centralized. • Recommended Controls: Implement fuel procurement Standard Operating Procedure (SOP); delivery receipts; tank gauging; reconciliation of pump volumes to invoices. • Detection Procedures: Pump vs invoice analysis; supplier invoice verification. • Owner: Town Council / Assistant Town Manager / Fuel Dock Manager / External Auditor 						

Primary Risk Area – Payroll and Personnel Fraud (Fraud Risk Matrix ID #34-38)

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
34	Asset Misappropriation & Cash Handling	Ghost employees/ unauthorized payroll payments	Medium	High	Critical	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; weak HR records; manual payroll. • Existing Controls: Payroll run by single person. • Recommended Controls: Direct deposit validation (if utilized); consider outsourcing payroll or independent review. • Detection Procedures: Verify bank payees for matches in direct deposit (if utilized). • Owner: Town Council / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
35	Asset Misappropriation & Cash Handling	Misclassification to evade taxes/benefits	Medium	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training. • Existing Controls: IRS/State tax payments. • Recommended Controls: Outsource payroll; periodic payroll audits by CPA firm. • Detection Procedures: Compare gross wages to bank payments; review tax filings. • Owner: Town Council / Assistant Town Manager/ CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
36	Asset Misappropriation & Cash Handling	Small staff lacking training/documented processes; turnover leaving gaps	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Insufficient staffing levels; lack of training and documented procedures. • Existing Controls: Assistant Town Manager doing many tasks on-the-job. • Recommended Controls: Provide remote/basic municipal finance and management training; document processes; hire/contract part-time Town Manager with public finance skills; contract services to fill gaps. • Detection Procedures: Verification of training attendance and third-party review of staff operations. Demonstrate completion of Standards of Operating Procedures (SOPs). • Owner: Town Council / Assistant Town Manager / VML / Third Party Consultant 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
37	Asset Misappropriation & Cash Handling	Significant reduction in staffing (Town Manager vacant; Police and PW positions eliminated); two current staff performing multiple roles	High	High	Critical	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Overreliance on single annual tax revenue; lack of cash forecasting and reserves. • Existing Controls: Monthly bank balance reviews only; ad-hoc borrowing (church loan) • Recommended Controls: Build cash-flow projections, consider semi-annual tax billing, improve collections, and implement diversified tourism taxes (meals/ lodging/ admissions). • Detection Procedures: Monthly reconciliation by independent third party • Owner: Town Council / Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
38	Asset Misappropriation & Cash Handling	Job descriptions and personnel policies not located or developed for existing and projected staff	High	Medium	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; historical neglect of Human Resources documentation. • Existing Controls: Informal role understanding; ad-hoc task assignments. • Recommended Controls: Draft and approve job descriptions; adopt personnel policies (benefits, performance management, training requirements). • Detection Procedures: Review of policies by external auditor during annual audit process. • Owner: Town Council / Assistant Town Manager / External Consultant 						

Primary Risk Area – Procurement and Purchasing Fraud (Fraud Risk Matrix ID #39 – 49)

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
39	Financial Statement & Grant Fraud	Collusive vendor relationships	Medium	High	Critical	90 Days

- **Root Cause(s):** No procurement policy; verbal contracts; Council members purchasing.
- **Existing Controls:** New written contracts started in 2026.
- **Recommended Controls:** Adopt procurement policy; vendor vetting; competitive bidding thresholds; conflict of interest disclosures; require purchase orders.
- **Detection Procedures:** Duplicate invoice detection; vendor master audit; vendor ownership checks.
- **Owner:** Town Council / Assistant Town Manager / Consultant Team

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
40	Financial Statement & Grant Fraud	Invoice manipulation / duplicate payments	High	Medium	High	90 Days

- **Root Cause(s):** No three-way match; manual processes.
- **Existing Controls:** Check registers exist but not reconciled.
- **Recommended Controls:** Implement three-way match; pre-approval; invoice numbering; duplicate invoices scripts.
- **Detection Procedures:** Data analytics on invoices; payment frequency spikes.
- **Owner:** Town Council / Assistant Town Manager / CPA

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
41	Financial Statement & Grant Fraud	Unauthorized equipment leases/long-term obligations	Medium	Medium	Medium	90 Days

- **Root Cause(s):** Appearance that Council members did not authorize purchases as a collective body.
- **Existing Controls:** Leases observed with ambiguous terms.
- **Recommended Controls:** Centralize contract management; require full Council approval for purchases above certain dollar thresholds; develop a contract register.
- **Detection Procedures:** Contract register reconciliation vs. general ledger.
- **Owner:** Town Council / Assistant Town Manager / Town Attorney

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
42	Financial Statement & Grant Fraud	Petty cash misappropriation/ undocumented reimbursements	Medium	Medium	High	90 Days

- **Root Cause(s):** Informal purchases; no policy.
- **Existing Controls:** Petty cash usage unclear.
- **Recommended Controls:** Eliminate petty cash or formalize with vouchers, receipts, dual approvals.
- **Detection Procedures:** Random petty cash audits; receipt reviews.
- **Owner:** Town Council / Assistant Town Manager/ CPA

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
43	Financial Statement & Grant Fraud	No procurement guidelines: purchases made without competition or fixed end dates	High	High	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): No formal procurement policy or competitive processes; decentralized purchasing authority. • Existing Controls: Informal/vendor relationships; verbal contracts; some new written contracts developed in FY26 but unsure if legally reviewed. • Recommended Controls: Adopt basic procurement guidelines/policy, require written contracts with defined terms, implement procurement checklist and approval thresholds. Town Attorney to review all contracts prior to execution. • Detection Procedures: Review vendor statements and compare against cash disbursements. • Owner: Town Council / Town Attorney / Assistant Town Manager / CPA 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
44	Financial Statement & Grant Fraud	Historically many contracted services were verbal; recent written contracts exist but lack legal review and standard terms	High	High	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Informal contracting culture; lack of procurement policy. • Existing Controls: Some new written contracts developed in 2026 but not legally reviewed. • Recommended Controls: Engage part-time Town Attorney to review existing contracts; formalize all vendor agreements, implement standard contract templates and a central contract register. • Detection Procedures: Verify A/P against contract; require detail on invoices. • Owner: Town Council / Town Attorney / Town Manager 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
45	Financial Statement & Grant Fraud	Key services (licensed operators, lab testing, trash, fuel procurement) rely on external contractors, some with informal terms	Medium	Medium	Medium	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; reliance on third party support. • Existing Controls: Contracts or verbal arrangements. • Recommended Controls: Standardize service agreements, backup providers, and performance monitoring; include contingency clauses for service interruptions. • Detection Procedures: Monthly review of contractors' performance by designated staff and/or Town Council. • Owner: Town Council / Assistant Town Manager / Town Attorney 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
46	Payroll & Personnel Fraud	Individual Members making purchases/ commitments	Medium	Medium	High	90 Days
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; lack of procurement guidelines; informal culture. • Existing Controls: Council oversight acknowledged. • Recommended Controls: Adopt procurement policy; require Council minutes documenting approvals; COI disclosures. • Detection Procedures: Review purchases vs minutes; COI declaration log. • Owner: Town Council / Assistant Town Manager/ Town Attorney 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
47	Payroll & Personnel Fraud	Council operated with limited external/internal guidance	Medium	Medium	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): No routine monthly review, adoption schedules, year-end closeouts. • Existing Controls: Ad hoc Council reviews; informal occasional meetings. • Recommended Controls: Require VML training; adopt formal financial policies; implement monthly reconciliations, cash-flow reporting, and calendarized budget adoption process. • Detection Procedures: Proper internal controls, annually adopted budget, increased management. • Owner: Town Council / VML Support 						
ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
48	Financial Statement & Grant Fraud	Lack of training/ education in the legal, operational, and financial areas of governance	Medium	Medium	Medium	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Lack of staff capacity and training; no routine monthly review, adoption schedules, year-end closeouts. • Existing Controls: Ad hoc Council reviews. • Recommended Controls: Require VML training; adopt formal financial policies; implement monthly reconciliations, cash-flow reporting, and calendarized budget adoption process. • Detection Procedures: Proper internal controls, annually adopted budget, increased management. • Owner: Town Council / Assistant Town Manager / VML Support 						

ID#	Secondary Category	Fraud Scenario	Likelihood	Impact	Priority	Timeframe
49	Payroll & Personnel Fraud	Staff lack position-specific training (financials processes, utility operations, regulatory requirements)	High	Medium-High	High	Immediate
<ul style="list-style-type: none"> • Root Cause(s): Limited training budget; small staff performing many duties; isolation limits access to local training. • Existing Controls: On-the-job learning by Assistant Town Manager; occasional external support. • Recommended Controls: Develop and implement a prioritized training plan (basic municipal finance, utility compliance, grant admin); leverage VML and online remote training; require completion milestones. • Detection Procedures: N/A • Owner: Town Council / Assistant Town Manager / External Trainer 						



IMPLEMENTATION PLAN

To function effectively as a municipal corporation, all local governments must adhere to recognized best practices to serve their residents responsibly and transparently. Although smaller localities often face greater constraints related to staffing capacity and financial resources, they are held to the same standards of accountability and fiduciary responsibility as larger jurisdictions. As noted at the beginning of this report, financial challenges are often intertwined with leadership challenges, and addressing both are equally critical to achieving a successful recovery.

While the financial and organizational challenges confronting the Town of Tangier are complex, the Town Council members and staff require a clear, practical roadmap focused on achievable and measurable outcomes. To that end, we have developed implementation strategies centered on three core areas: general government management, legal support, and financial stability. The implementation strategies in this section address the most vulnerable, immediate items in order to stabilize the Town. A long-term implementation plan will be required in order to address all issues and to ensure the long-term success of the Town.

1. **General Government Management:** strengthen governance, documentation, and day-to-day management so Council and staff can reliably oversee operations with minimal new cost.
2. **Legal support:** obtain focused legal assistance to review contracts, secure records, and support immediate actions that reduce liability and exposure. Prioritize short, simple scopes to control cost.
3. **Financial Stability:** take measures throughout the organization to ensure financial components are working in concert with each other, and maximize service delivery to residents and generate maximum revenue.

All three areas require perpetual vigilance and a long-term commitment to attain and sustain financial recovery. While the work to gain financial stability is significant, the following action items are the initial steps the Town must take to begin the journey to financial solvency. It should also be noted that the Town does not have the financial or human resource capital to accomplish these items on their own. Additional resources will be required to successfully complete the items identified in this preliminary “to-do” list.

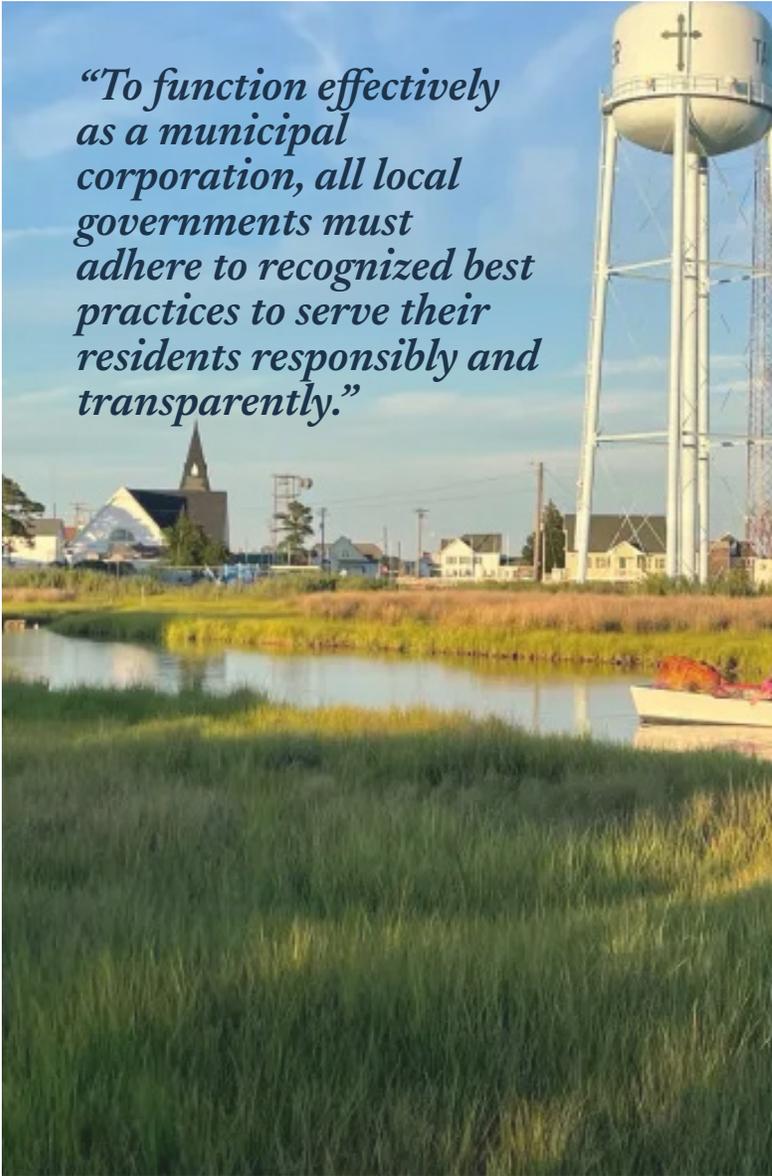
The Town's most pressing issues that require immediate focus include:

1. Insurance Premiums

- The Town needs to make payment to VRSA for the Airport Liability Policy that will lapse on March 1, 2026. The annual premium payment is \$3,192 for the policy. There is a list of accompanying forms and statements that must be signed to bind the policy.
- The Town's insurance premiums through VRSA are currently in arrears in the amount of \$49,551 and need to be paid in full prior to June 30, 2026, in order to maintain liability coverage.

2. Contract professional town manager services with Virginia municipal financial experience.

3. Coordinate with the Virginia Municipal League (VML) to schedule Council and staff training.



“To function effectively as a municipal corporation, all local governments must adhere to recognized best practices to serve their residents responsibly and transparently.”

Core Area 1: General Government Management

ID#	Action	Timeline	Priority	Suggested Owner(s)
1.1	Issue emergency governance checklist & calendar (monthly reviews, budget calendar, public reporting)	Immediate (0–30 days)	High	Town Council / Assistant Town Manager
1.2	Adopt simple written financial policies: procurement thresholds, emergency spending limits, approval matrix	Short Term (30–60 days)	High	Town Council / Town Attorney
1.3	Contract with professional part-time Town Manager	Short Term (30-60 days)	High	Town Council
1.4	Hire outside assistance to develop FY27 budget template and guide Town through process	Short Term (30-60 days)	High	Town Council/ Assistant Town Manager
1.5	Document critical processes & create one-page SOPs for core tasks (bank recs, deposits, payroll run, vendor payment)	Short Term (30–90 days)	High	Assistant Town Manager / External CPA (contracted)
1.6	Council and staff training offered through VML.	Short Term (30-90 days)	High	Town Council / VML
1.7	Develop and adopt Capital Improvement Program	Medium Term (90-180 days)	Medium	Town Council

Core Area 2: Legal Support

ID#	Action	Timeline	Priority	Suggested Owner(s)
2.1	Issue legal hold and secure forensic copies of former manager files and key systems	Immediate (0–30 days)	High	Town Council Town Attorney / IT Forensics (one-time)
2.2	Have part-time Town Attorney review high-risk contracts & leases and prepare standard contract template	Short Term (30–60 days)	High	Town Council Town Attorney
2.3	Draft emergency procurement authorization language and advise Council on emergency spending limits	Short Term (30-60 days)	High	Town Council Town Attorney
2.4	Assist in preparation of demand/confirmation letters to banks and lenders if needed	Intermediate-Term (60-90 days)	Medium	Town Council Town Attorney / External CPA

Core Area 3: Financial Stability

ID#	Action	Timeline	Priority	Suggested Owner(s)
3.1	Secure bank access: change online credentials, remove ex-signatories, request bank confirmations	Immediate (0–14 days)	High	Town Council / Assistant Town Manager / External CPA
3.2	Freeze discretionary project spending on grant-impacted items; require pre-approval for draws	Immediate (0–14 days)	High	Town Council / Assistant Town Manager / External CPA
3.3	Engage External CPA (short contract) to perform a) forensic bank reconciliation, b) rebuild basic trial balance, and c) prioritize audit backlog	Short Term (15–60 days)	High	Town Council / External CPA (contract)
3.4	Start monthly bank reconciliations with independent reviewer and simple journal entry approval log	Short Term (15–60 days)	High	Assistant Town Manager / External CPA
3.5	Validate payroll roster and implement direct deposit and payee verification; consider outsourcing payroll	Short Term (30–90 days)	Medium	Town Council / Payroll Vendor / External CPA
3.6	Recommission meters and begin a phased meter-reading & billing reconciliation program	Short → Medium Term (30–120 days)	Medium	Assistant Town Manager / External Engineer / Utility Consultant
3.7	Adopt emergency budget amendments to accurately separate funds and identify restricted grant revenues	Short Term (30–90 days)	High	Town Council / Assistant Town Manager / Town Attorney / External CPA
3.8	Implement simple cash-flow forecasting (monthly) and a 90-day rolling projection; link to payment calendar for debt service	Short Term (15–60 days)	High	Town Council / Assistant Town Manager / External CPA
3.9	Plan for medium-term: select affordable accounting package or stable outsourced processing (3–12-month plan)	Medium → Long (90–365 days)	Medium	Town Council / Assistant Town Manager / External CPA
3.10	Restore audit cadence: engage auditor for FY2026 and backlog years as feasible	Medium Term (90–180 days)	High	Town Council / External CPA / Audit Firm

ACKNOWLEDGMENTS

The Berkley Group team wishes to thank the Town Council members of Tangier, and Assistant Town Manager Jenny Parks, for their assistance and responses to our questions. Mayor James "Ooker" Eskridge, Council Member Beth Thomas, Council Member Anna Pruitt-Parks, and Council Member Tracy Pruitt were very accommodating and welcoming when we visited the Town on January 19th and freely shared with us with their insights and concerns. Council Members Norm St. Pierre and Tommy Eskridge spent time with our team by virtual meeting and telephone to share their concerns and insights as well.

We are honored to be working with the Town and its leaders as they strive to correct their fiscal challenges.



