



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Special Investigative Unit

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Special Investigation

# La Paz County Parks Department

Theft of Public Monies

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JUNE • 2006



**Debra K. Davenport**  
Auditor General

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**STATE OF ARIZONA**  
**OFFICE OF THE**  
**AUDITOR GENERAL**

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June 1, 2006

Members of the Arizona Legislature

La Paz County Board of Supervisors

The Honorable Terry Goddard  
Attorney General

The Office of the Auditor General has conducted a special investigation of the La Paz County Parks Department for the period May 2002 through December 2004. The investigation determined the amount of public monies misused, if any, during that period and the extent to which those monies were misused.

The investigation consisted primarily of inquiries and examination of selected financial records and other documentation. Therefore, the investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, the Office does not express an opinion on the adequacy of the financial records or the internal controls of the La Paz County Parks Department. The Office also does not ensure that all matters involving the County's internal controls, which might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that may require correction or improvement, have been disclosed.

The accompanying Investigative Report describes the Office's findings and recommendations as a result of this special investigation.

After this report is distributed to the members of the Arizona State Legislature, the Attorney General, and the La Paz County Board of Supervisors, it becomes public record.

Debbie Davenport  
Auditor General

Enclosure

# SUMMARY

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In December 2004, La Paz County administrators requested that the Office of the Auditor General investigate allegations of financial misconduct by Ms. Dawn James, former administrative secretary for the La Paz County Parks Department (Department). As a result, our Office conducted an investigation of those financial improprieties and submitted our report to the Attorney General's Office. The Attorney General has presented evidence of Ms. James' crimes to the State Grand Jury, which has indicted her on felony charges. See Conclusion on page 9 of this report.

Our investigation revealed that from May 2002 through December 2004, Ms. James embezzled at least \$84,193. In addition, Ms. James misused public money by delaying deposits of park revenues totaling \$364,387. Ms. James attempted to conceal her actions through a number of fraudulent schemes, including falsely representing that park revenues were less than they actually were and manipulating financial reports. Ms. James used county money to pay for personal bills and gambling habits.

The County's lack of internal controls, including an inadequate segregation of duties, allowed Ms. James to embezzle money received from park revenues for 2½ years. Specifically, in addition to handling and depositing all park revenues, Ms. James was responsible for collecting receipt documentation and recording these transactions on the Department's internal accounting ledger called the Recap of Park Income—Monthly. Additionally, Ms. James was responsible for reconciling account information, including park revenues, to the accounting ledger postings and the accounting ledger to the deposit documentation. As a result, Ms. James was able to embezzle public money, and in turn, the County was unable to deter or detect her thefts prior to December 2004.

## Investigation Highlights:

- ◆ Ms. James embezzled at least \$84,193.
- ◆ Ms. James misused public money by delaying deposits of department revenues totaling \$364,387.



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# INTRODUCTION & BACKGROUND

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La Paz County was formed on January 1, 1983, and encompasses 4,500 square miles in western Arizona. As of 2005, La Paz County's population consisted of 20,238 people. La Paz County's management is fiscally accountable to its citizens and taxpayers for general fund revenues totaling \$9.3 million in fiscal year 2003. General fund monies consist primarily of taxes, intergovernmental revenues, fines, and forfeits.

The La Paz County Parks Department maintains six recreational sites throughout the County for public use. The Department employs eight full-time staff members and oversees a varying number of volunteers to manage operations at each of the six sites. Of these recreational sites, the La Paz Main Park, Centennial Park, and Bouse Community Park assess fees based upon usage. Campsite rental fees range from \$11 to \$16 per night for two people, not including electricity usage. Campers can pay \$20 as a deposit for key access to restroom facilities. In addition to these fees, the Department collects fees from ice and drinking water sales, swapmeet entries, and pavilion rental and usage.

Ms. Dawn James began her employment with the County Parks Department in October 2001 as a temporary secretary. In January 2002, Ms. James was promoted to the administrative secretary position where she was responsible for collecting revenue documentation, processing revenue receipts and recording these transactions on the Department's internal accounting ledger, preparing deposits, and reconciling account information, including park revenues, to the accounting ledger postings and the accounting ledger to the deposit documentation. In December 2004, department officials became aware of discrepancies within the deposit process. Upon inquiry from county management, Ms. James admitted to taking 7 days' worth of revenue receipts totaling \$10,351 from the Department's deposits. On December 13, 2004, Ms. James was placed on paid administrative leave pending the outcome of a county investigation into the alleged financial misconduct. The County terminated Ms. James' employment on December 16, 2004, and subsequently requested our Office to perform an investigation to determine the extent to which public monies had been misused or stolen.

The Department maintains six recreational sites throughout the County and collects fees relating to:

- Park usage
- Swapmeet entries
- Pavilion rental
- Ice and water sales





# FINDING 1

## Employee embezzled public monies

From May 2002 to December 2004, Ms. Dawn James, former administrative secretary, embezzled at least \$84,193 and misused approximately \$364,387 in La Paz County Parks Department monies. During a 2½-year period, Ms. James repeatedly violated state laws related to theft, fraudulent schemes, and misuse of public monies.

As summarized in Exhibit 1, Ms. James embezzled at least \$84,193 from the Department in 142 separate instances. The schemes Ms. James used included taking cash from department revenue receipts for various fees and from deposits held for restroom key access. Ms. James concealed the cash shortage by recording and depositing only the remaining revenue amounts, omitting from the records the money taken. Additionally, Ms. James intentionally delayed deposits totaling \$364,387—a misuse of public money. By delaying these deposits, Ms. James was able to personally use these monies for a period of time, anywhere from 3 to 65 days, and then return a portion of the money for deposit. In an interview with Auditor General staff, Ms. James admitted taking the money to pay her personal bills and gambling habits.

Exhibit 1: Embezzlement Schemes  
May 2002 to December 2004

<u>Theft</u>	<u>Amount</u>
Revenue Receipt Theft	\$ 83,073
Key Deposit Theft	1,120
<b>Total Theft</b>	<b>\$ 84,193</b>
<u>Misuse</u>	
Delayed Deposits	364,387
<b>Total</b>	<b>\$448,580</b>

Source: Auditor General staff analysis of La Paz County Parks Department and Treasurer's Office records.

## Revenue Receipt Theft

From May 2002 through December 2004, Ms. James embezzled \$83,073 by taking cash from revenue receipts in 141 separate instances. To conceal her theft, Ms. James omitted these receipts on deposit records and falsely reported and deposited only the remaining amount with the County Treasurer's Office.

Ms. James collected revenue receipts from customers, park rangers, and camp hosts. After collecting and counting the total receipts, Ms. James embezzled some of the cash and recorded the remaining amounts into the Department's accounting

Ms. James admitted to taking \$100 to \$200 a day from park revenue receipts.

The individual amounts Ms. James embezzled ranged from \$28 to \$10,351.

ledger. The accounting ledger records the total revenue received per day and the total amount deposited for each time period. She then prepared the deposit to match the false amount she had posted on the accounting ledger. Because deposits were not made on a regular basis, but ranged from 1 to 18 days' worth of receipts, the individual amounts Ms. James embezzled ranged from \$28 to \$10,351. Ms. James submitted these fraudulent documents to the County Treasurer, falsely reporting the Parks Department revenue.

## Key Deposit Theft

Restrooms and showers at park recreational sites are accessible by keys only, which are issued to customers for a \$20 deposit. All key deposits are held in the department safe until a key is returned or the deposit is forfeited. Once the key is returned, customers are refunded their \$20 deposit from the safe. All forfeited deposits are used to offset the cost of the unreturned key, and the difference is deposited with all other revenues. The Department maintains a list that records the names of the campers receiving the keys, the receipt numbers issued, the amounts received, and the dates the keys were returned, if applicable.

The exact dates in which key deposit funds were taken are unknown. However, on December 13, 2004, a department employee determined that money held in the park safe for key deposits was missing. As such, this date was used to determine the point in time when Ms. James embezzled key deposit monies. According to the Department's list, monies totaling \$1,120 for 56 key deposits should have been held in the safe. Therefore, prior to December 13, 2004, Ms. James embezzled \$1,120. In an interview with department management, Ms. James admitted to taking money from these key deposits.

## Delayed Deposits

Ms. James admitted to delaying deposits and using the monies for personal use.

From May 2002 through December 2004, Ms. James misused a total of \$364,387 of public monies. In addition to embezzling \$84,193 from revenue receipts and key deposits, Ms. James furthered her embezzlement scheme by intentionally withholding and delaying 67 Parks Department deposits totaling \$364,387. Ms. James delayed making deposits because she also took money after she had recorded falsified amounts on the accounting ledger. Therefore, she needed to delay her deposits with the County Treasurer until subsequent revenues were received that would make up for the additional money she had taken.

By delaying deposits, Ms. James was able to appropriate those monies for her own use for various periods of time, ranging anywhere from 3 to 65 days, and then return a portion of them for deposit. Ms. James made and kept false entries on deposit slips and accounting ledger documents regarding the actual date in order to conceal these inconsistencies. Therefore, \$364,387 of public money held by Ms. James in her official capacity was not used for its intended purpose, but was in fact used for various periods of time by Ms. James for her personal benefit.

# FINDING 2

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## County Parks Department management failed to ensure adequate controls

The La Paz County Parks Department management failed to implement an adequate system of internal controls over their cash receipts. In fact, the Department's insufficient segregation of duties and oversight weakened their control environment and allowed Ms. James to control many aspects of the receipting activities sufficient to embezzle public money that went undetected for 2½ years.

Specifically, management allowed Ms. James to receive, record, and deposit all park revenue receipts. Additionally, Ms. James was responsible for recording information in the accounting ledger and reconciling this information to receipt and deposit documentation. An appropriate level of internal control could have been accomplished by assigning responsibility for a portion of the cash receipt process to other employees. At a minimum, cash-handling functions should be separate from recordkeeping activities. Therefore, employees who receive cash should not record cash collections into the Department's accounting ledger or reconcile this information to receipt and deposit documentation. Also, maintaining an independent review process of receipt logs, accounting ledger postings, and bank reconciliations could have established an appropriate level of internal control.

Additionally, management failed to safeguard cash disbursements by ensuring that park employees followed proper procedures. For instance, management allowed revenue received from park receipts to directly pay expenditures relating to cleaning, cellular phone charges, and office supplies. Also, department employees issued these cash payments for expenditures without any supervisory approval and without providing any supporting documentation such as a receipt or invoice. Management should establish accounting policies and procedures that provide proper authorization of cash disbursements so that they are classified accurately, recorded in the accounting records on a timely basis, and properly reported.

Finally, management failed to adequately safeguard cash by ensuring that it was deposited in a timely manner, accurately, and intact. In order to safeguard cash

receipts, county departments should deposit monies with the county treasurer daily or weekly, when significant. Because this was not properly performed, deposits were sometimes delayed anywhere from 3 to 65 days. In addition, management did not ensure that monies were deposited intact, or deposited in their entirety. Because of this, Ms. James was able to prepare the deposit based upon falsified, lower revenue receipts wherein the deposited amounts would be understated by the amount stolen. Management should establish proper procedures to provide for an independent reconciliation between the actual revenues received and the amount deposited.

# RECOMMENDATIONS

To help ensure proper control over and use of public monies, La Paz Parks Department management should establish effective internal controls over cash receipt activities, including policies, procedures, and monitoring activities. Specifically, management should establish the following policies and procedures:

1. No single employee should have responsibility for cash-handling and recordkeeping activities. Accordingly, the following activities should be properly assigned to the appropriate employees:
  - Receiving cash and personal customer checks
  - Recording cash receipts on receipts logs and into the accounting ledger
  - Depositing cash and personal customer checks
  - Reporting cash receipt activity to the chief ranger
  - Reconciling original receipts to the treasurer deposits and the accounting ledger
  - Reconciling treasurer deposits to the accounting ledger

These activities can be effectively separated among the office staff and can be further strengthened by employing an appropriate secondary independent review and approval process.

2. All deposits should be made intact and on a timely basis, preferably daily.
3. Reconciliations performed between the accounting ledger and revenue receipts, and deposit documentation should be independently reviewed and approved.
4. Expenditures should be submitted to the appropriate county department and should be processed based on proper documentation. Such documentation includes, but is not limited to, properly approved purchase requisitions, purchase orders, and vendor invoices.
5. Management should establish monitoring practices to ensure that all policies and procedures are followed.



# CONCLUSION

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On May 25, 2006, the Arizona Attorney General's Office presented evidence of Ms. James' crimes to the State Grand Jury. This action resulted in the indictment of Ms. James on 1 count of fraudulent schemes, 2 counts of theft, and 67 counts of misuse of public monies.



