

Gila County Transportation Excise Tax

CONCLUSION: As required by law, we conducted a performance audit of the Gila County transportation excise tax (excise tax). We found that the County, Globe, and all 5 towns can demonstrate the excise tax's impact in solving transportation problems. However, we found that Miami did not always use excise tax monies appropriately. In addition, we found Globe, Miami, and Payson lacked policies and procedures regarding the allowable excise tax uses.

Statute outlines allowable excise tax uses

Transportation excise tax money is statutorily restricted to be used for highway and street purposes, which include highway and street improvements, such as construction, maintenance, repair, and roadside development of county, city and town roads, streets, and bridges. Excise tax monies can also be used for administrative expenses that indirectly support the functions of highways and streets. During calendar years 2014 through 2018, the period this audit covers, the excise tax generated \$15.3 million in revenue.

Excise tax recipients, distributions, population, and road miles maintained Calendar years 2014 through 2018

Recipient	Excise tax revenue	Population July 1, 2018	Road miles maintained
Gila County—unincorporated	\$ 9,068,692	26,253	752
Globe	1,646,399	7,503	139
Hayden	208,762	645	10
Miami	454,349	1,819	13
Payson	3,271,310	16,025	111
Star Valley	551,911	2,346	11
Winkelman	143,721	355	12
Total	\$15,345,144	54,946	1,048

Miami loaned excise tax monies to other funds

During our review of the audited financial statements and excise tax expenditures, we found that Miami loaned \$140,817 of excise tax monies to cover cash deficits in its General, Senior Center, and Transit funds making these monies unavailable for highway and street purposes. Loans of excise tax monies are inappropriate because they do not fall within the statutory definitions of highway and street purposes.

Recommendation

Miami should repay the inappropriately loaned excise tax monies and discontinue the practice of loaning any restricted monies to other funds.

Miami could not demonstrate indirect administrative expenses were appropriate

Miami paid \$83,613 for indirect administrative expenses—including costs for accounting, payroll, management, and information technology support—with excise tax monies. Although indirect administrative costs that support the functions of highway and street purposes are allowable, Miami was unable to demonstrate or provide documentation that these costs supported these functions.

Recommendation

Miami should review its past and future indirect administrative expenses to determine they were for highway and street purposes. Any impermissible past expenditures should be repaid.

Globe, Miami, and Payson lacked policies and procedures for excise tax uses

Globe, Miami, and Payson did not have had written policies and procedures that define the allowable uses of excise tax monies. Without appropriate written policies and procedures, there is an increased risk that excise tax monies will be used for impermissible purposes.

Recommendation

Globe, Miami, and Payson should develop and implement policies and procedures that define the allowable uses of excise tax monies.

3 of 7 entities did not have appropriate policies and procedures governing allowable uses of excise tax revenue.

