



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

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Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Board of Supervisors
Maricopa County, Arizona

The Honorable Bill Montgomery, Maricopa County Attorney

The Office of the Auditor General has conducted a financial investigation of certain Maricopa County Justice Courts Administration purchasing card expenses for the period February 2015 through September 2015. We performed the investigation to determine the amount of public monies misused, if any, during that period.

The investigation consisted primarily of inquiries, observations, examination of selected financial records and other documentation, and selected tests of internal control over Maricopa County Justice Courts Administration operations. The investigation was not conducted in accordance with U.S. generally accepted auditing standards and was more limited than would be necessary to ensure we discovered all misused public monies or to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies are disclosed.

The Financial Investigation Report describes our findings and recommendations as a result of this investigation.

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General

Maricopa County Justice Courts Administration Criminal Indictment—Theft and Misuse of Public Monies

SYNOPSIS: During our fiscal year 2016 financial audit of Maricopa County (County), we noted a questionable transaction by Dexter Thomas, former director of support services for the Maricopa County Justice Courts Administration (County Justice Courts), and made further inquiries of management, who informed us of possible financial misconduct by Mr. Thomas. Our investigation revealed that from February through September 2015, Mr. Thomas allegedly falsified 5 county travel expense forms and received \$1,296 he was not entitled to, in addition to using his county purchasing card to pay for 5 personal purchases totaling \$1,135. We have submitted our report to the Maricopa County Attorney's Office, which on October 24, 2018, presented evidence to the Maricopa County Superior Court Grand Jury. The action resulted in Mr. Thomas' indictment on 4 felony counts related to theft, misuse of public monies, and fraudulent schemes.

Overview

In December 2014, after working for 14 years in various county management positions, Dexter Thomas was promoted to director of support services at the County Justice Courts. In this capacity he was responsible for budgeting, accounts payable, and procurement for the 26 justice courts in the County. Mr. Thomas resigned in November 2015, 1 month after being placed on paid administrative leave.

Mr. Thomas allegedly embezzled \$2,431 and falsified 5 county forms

Mr. Thomas falsified 5 county travel expense reports and received \$1,296 he was not entitled to—For each of the 5 conferences Mr. Thomas traveled to from February through September 2015, he improperly requested and received 5 “reimbursements” totaling \$1,296 for several travel-related expenses he did not pay for. Rather, the County paid these expenses. Specifically, Mr. Thomas used the county purchasing card to pay for vehicle rentals, taxi fares, and hotel parking, but falsely asserted on 5 county expense report forms that he personally paid for those expenses and should be reimbursed. Mr. Thomas submitted these falsified forms generally within 2 weeks of returning from the conferences and received the illicit “reimbursements” through his subsequent paychecks directly deposited to his bank accounts.

When we questioned him about his requests for reimbursement of these travel-related expenses he did not pay for, Mr. Thomas claimed he did not know, could not recall the transactions in question, or suggested it may have been an oversight. Although Mr. Thomas would have seen that the County paid for these travel-related transactions when he reviewed his monthly purchasing card statements, he never made any personal payments on his county purchasing card for what he had been illicitly “reimbursed.”

\$1,296
ILLICIT “REIMBURSEMENTS”
\$1,135
PERSONAL PURCHASES



Mr. Thomas made 5 personal purchases totaling \$1,135 with his county purchasing card—Mr. Thomas used his same county purchasing card to pay for 5 personal purchases he made from February through September 2015 totaling \$1,135. These purchases included food, alcohol, a massage, golf green fees, and a television.

When we questioned him about these personal purchases, Mr. Thomas either claimed he could not recall the transactions in question or wondered why a purchase was made with his purchasing card. Nonetheless, Mr. Thomas admitted to us that he would have seen these improper transactions during his monthly review of his purchasing card statements; yet, Mr. Thomas never made any personal payments on his county purchasing card.

Former County Justice Courts administrators failed to provide adequate oversight

Former County Justice Courts administrators did not follow established policies that required an independent review of purchasing card transactions. In fact, Mr. Thomas' supervisor stated he was not aware that he should have been reviewing those transactions. In addition, no County Justice Courts administrators reconciled Mr. Thomas' purchasing card transactions against his travel reimbursements. Consequently, Mr. Thomas' purchasing card transactions were automatically paid, and he received travel reimbursements without an independent review for propriety. Upon discovery of this lapse in oversight, Mr. Thomas' supervisor requested the Maricopa County Office of Procurement Services conduct a review of Mr. Thomas' purchasing card activity. They determined that during the 2 ½ years he held a county purchasing card, \$35,381, or 83 percent, of the purchases Mr. Thomas made had no supporting documentation such as an invoice or receipt. Moreover, we found that Mr. Thomas used his purchasing card to buy 73 VISA gift cards for nearly \$20,000; however, we were unable to determine if the VISA gift cards were used for personal or county purposes because Mr. Thomas failed to maintain receipts for items purchased with these gift cards, and records from other sources were not available. Additionally, because Mr. Thomas' supervisors failed to review his purchasing card transactions, he was able to continue purchasing these gift cards throughout his employment without supervisory review.

Recommendations

Since becoming aware of the alleged theft, County Justice Courts administrators reported that they have improved internal control procedures related to purchasing cards and travel reimbursements and now ensure that the policy of independently reviewing purchasing card transactions is followed for all employees. In addition, administrators reported that they added purchasing card merchant category code restrictions that ensure certain travel-related transactions are automatically declined and require travel reimbursement forms to have 3 levels of both pre- and post-travel authorization, which includes ensuring purchasing cards were not used for travel-related expenses. However, administrators can take additional actions to improve controls over public monies to help deter and detect fraud and to help ensure purchases are allowable and provide a benefit to the County. In particular, administrators should:

- Develop and implement written policies and procedures that require purchasing card transactions to be reviewed and approved by an authorized employee prior to ordering or purchasing goods and services and documenting the approval, such as on a purchase request form.
- Continue to use analytical tools to help identify suspicious purchasing patterns, vendors, and amounts, and then based on the results, take appropriate actions, such as revoking purchasing card privileges and requiring repayment of improper purchases.