



A REPORT
TO THE
ARIZONA LEGISLATURE

Performance Audit Division

Performance Audit

Gila County Transportation Excise Tax

June • 2009
REPORT NO. 09-06



Debra K. Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 1, 2009

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Arizona State Senate

The Honorable Kirk Adams, Speaker
Arizona House of Representatives

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Gila County Board of Supervisors

Mr. Steven L. Besich, County Manager
Gila County, Arizona

Transmitted herewith is a report of the Auditor General, a Performance Audit of the Gila County Transportation Excise Tax. This report is in response to and was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03.

As outlined in its response, Gila County agrees with some of the findings and plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on June 2, 2009.

Sincerely,

Debbie Davenport
Auditor General

Attachment



SUMMARY

The Office of the Auditor General has conducted a performance audit of the Gila County Transportation Excise Tax (excise tax) in accordance with and under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §41-1279.03. As required by statute, this audit reviewed past and future planned expenditures and projects to determine their impact on solving transportation problems and whether the excise tax revenues are used only for highway and street purposes or transportation projects specified in Gila County's (County) regional transportation plan.

County has taken steps to better demonstrate tax's impact (see pages 5 through 7)

The County has taken some steps since the Auditor General's 2004 audit (see Report No. 04-L2) to better demonstrate the impact of the transportation excise tax and is taking additional steps to do so. Until March 2009, the County combined similarly restricted transportation revenues, including the excise tax, into one fund, known as the Road Fund. The excise tax revenues represent about 37 percent of the transportation revenues the County receives, and according to a county official, since fiscal year 2004, the County has used more than \$6 million in Road Fund monies to complete nine road projects. Since the last audit the County's Public Works Division adopted a project records policy designed to provide standardized recordkeeping for all expenditures related to road construction and maintenance projects. In addition, the County conducted a small area transportation study (study) designed to develop a 20-year transportation plan, and in November 2006 the County adopted the study as its long-term transportation plan. Further, in March 2009, the County established a separate fund in its new accounting system so that it can separately track excise tax expenditures and better demonstrate the impact of the excise tax.

Last audit identified inappropriate expenditures, but new county policy has largely corrected these problems (see pages 9 through 13)

The 2004 audit found that the County had used Road Fund monies to pay for items that did not meet the definition of highway and street purposes, such as expenditures made to finance the county rodeo. The County's subsequent review of Road Fund transactions and supporting documentation for fiscal years 1999 through 2004 determined that approximately \$390,000 had been spent inappropriately. Following the last audit, the County created a Road-Fund-Use policy that has helped ensure that excise tax monies are spent appropriately. However, this current audit found some other questionable expenditures, mostly in the form of credit card purchases for food for employees not in travel status. The Division should work with the County Attorney to determine the appropriateness of the questionable expenditures, including updating its Road-Fund-Use policy and how to repay any monies spent inappropriately. In addition, the questionable credit card expenditures appear to exist because the County has not been consistently following its own travel policy, and the policy could provide greater direction to its employees. Therefore, the County should work with the County Attorney to revise its travel policy to provide adequate guidance to employees in travel status.

TABLE OF CONTENTS



Introduction & Background	1
Finding 1: County has taken steps to better demonstrate tax's impact	5
Excise tax appears to be having an impact on county transportation problems	5
County has taken steps that help demonstrate impact	6
County should continue pursuing ability to track excise tax expenditures separately	7
Recommendation	7
Finding 2: Last audit identified inappropriate expenditures, but new county policy has largely corrected these problems	9
Previous audit led to identification of \$390,000 in inappropriate expenditures	9
Division created policy, which has helped to ensure Road Fund monies are spent appropriately	10
Questionable credit card expenditures	10
Division should work with County Attorney to assess expenditures and update Road-Fund-Use policy	11
County should work with County Attorney to clarify travel policy	11
Recommendations	12

♦ continued



TABLE OF CONTENTS

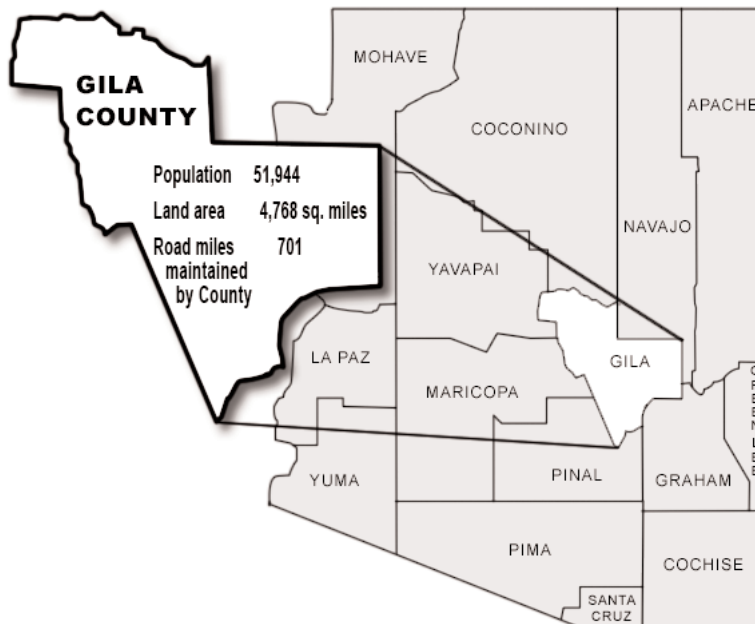
Appendix A: Methodology	a-i
Agency Response	
Table:	
1 Road Fund Tax Revenues Fiscal Years 2004 through 2008 (Unaudited)	2
Figure:	
1 Gila County Population, Land Area, and Road Miles Maintained by the County	1
Photo:	
1 Road Project Funded by Excise Tax	6

concluded ♦

INTRODUCTION & BACKGROUND

In 1994, Gila County (County) voters passed a half-cent sales tax to pay for highway and street improvements and transportation projects. The Gila County Board of Supervisors (Board) proposed this tax because the Board felt the condition of many streets and roads in Gila County's unincorporated areas had deteriorated, and some areas in Gila County needed improvements to existing roads or the development of new streets and roads. The County contains the incorporated cities and towns of Globe, Hayden, Miami, Payson, Star Valley, and Winkelman, as well as a number of other unincorporated rural communities. Globe is the county seat and the second-largest urban population center (7,093 people) after Payson (15,407 people).¹ The County maintains nearly 701 miles of road in the unincorporated areas of Gila County, including approximately 477 miles of Forest Service roads that the U.S. Department of Agriculture has contracted with the County to maintain (see Figure 1).

Figure 1: Gila County Population, Land Area, and Road Miles Maintained by the County



Source: 2007 United States Census Bureau data for Gila County (see footnote 1 on this page) and 2007 Gila County letter certifying county-maintained road miles.

¹ U.S. Census Bureau American FactFinder. (2007). *Population finder, Gila County, Arizona*. Retrieved March 11, 2009, from <http://factfinder.census.gov>

The Gila County excise tax became effective January 1, 1995, and is to remain in effect for 20 years. The excise tax generates approximately \$3 million annually and is not shared by any of the County's municipalities.¹ Since the excise tax became effective through June 30, 2008, it has generated approximately \$34.9 million in revenue. As shown in Table 1, the excise tax generated nearly \$15.3 million from fiscal years 2004 through 2008 and represents approximately 37 percent of transportation monies the County received for this period. The County also relies on two other sources of tax revenue to fund its transportation projects: Highway User Revenue Fund (HURF) monies and Vehicle License Tax (VLT) monies. HURF and VLT monies are generated by Arizona transportation licenses, taxes, and fees. As illustrated in Table 1, in fiscal year 2008, Gila County received approximately \$4.2 million in HURF revenues and more than \$1.1 million in VLT revenues. Until March 2009, the County combined all of the various revenues for road and transportation projects into one fund, known as the Road Fund, because the revenues have similar statutory restrictions. Specifically, according to statutes, the excise tax and HURF revenues can be expended for highway and street purposes, and excise tax revenues can also be used for transportation projects included in the County's regional transportation plan. The Arizona Constitution indicates that highway and street purposes include such things as construction, reconstruction, and maintenance and repair of roads, streets, and bridges.² According to a law change effective in 2008, VLT revenues can be used for any purposes related to transportation, as determined by the Board of Supervisors.³ For example, these monies can be used for transit costs in addition to construction costs to build or improve roads.

Table 1: Road Fund Tax Revenues¹
Fiscal Years 2004 through 2008
(Unaudited)

Tax Revenues	2004	2005	2006	2007	2008
Excise tax	\$2,693,360	\$2,698,164	\$3,107,708	\$3,410,721	\$3,391,644
Highway User Revenue Fund	3,552,214	3,923,590	4,325,284	4,425,291	4,206,260
Vehicle license tax (VLT)	<u>1,097,934</u>	<u>1,026,452</u>	<u>1,197,776</u>	<u>1,159,360</u>	<u>1,139,222</u>
Total	<u>\$7,343,508</u>	<u>\$7,648,206</u>	<u>\$8,630,768</u>	<u>\$8,995,372</u>	<u>\$8,737,126</u>

¹ The County also receives other Road Fund revenue that is not generated by taxes, such as revenue from issuing grading and other permits, reimbursements from the U.S. Department of Agriculture for maintenance work performed on Forest Service roads, and interest earned on investments. The total estimated amount of revenue generated by sources other than taxes in fiscal year 2008 was \$445,954. This amount does not include loans or grants.

Source: Auditor General staff review of fiscal years 2004 through 2008 reports from the County's accounting system, except fiscal year 2004 VLT revenues, which were obtained from the County Treasurer's receipt reports.

¹ Incorporated cities and towns within the County receive revenues from the Highway User Revenue Fund for highway and street purposes, transportation projects, and Vehicle License Tax revenues.

² A.R.S. Const. Art. 9, §14.

³ A.R.S. §28-5808(A)(2)(b).

The County’s Public Works Division administers the Road Fund and uses revenue from this fund for road projects throughout the County. The County reported that the Division consists of ten departments, five of which are mostly funded by the Road Fund: the Administration Department, which provides administrative support for the Public Works Division; the Consolidated Roads and Engineering Departments, which are primarily responsible for the planning, improvement, and maintenance of county roads; the Survey Department, which provides the surveying for these roads; and the Auto/Equipment and Maintenance Department, which is responsible for maintaining vehicles and other road equipment (see textbox for the authorized full-time equivalent [FTE] positions funded by Road Fund monies). The County reported that the five other departments within the Division, such as the Recycling and Landfill Management and Facilities and Land Management Departments, do not participate in any road-related projects, and those departments’ 33 FTEs and operational expenses are funded by the County General Fund and an enterprise fund.

FTE Funded with Road Fund Monies

Administration	5.0
Consolidated Roads	37.0
Engineering	9.5
Survey	2.5
Auto/Equipment Maintenance	<u>18.0</u>
Total	72.0

Source: Auditor General staff summary of county-reported information.

Scope and objectives

As required by Arizona Revised Statutes (A.R.S.) §41-1279.03, this audit reviewed past and future planned expenditures and projects to determine their impact on solving transportation problems and whether the excise tax revenues are used only for highway and street purposes or transportation projects specified in the County’s regional transportation plan.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express appreciation to the Gila County Board of Supervisors, the County Manager, and their staff for their cooperation and assistance throughout the audit.

FINDING 1

County has taken steps to better demonstrate tax's impact

The County has taken some steps to better demonstrate the impact of the transportation excise tax, and is taking additional steps to do so. Since the 2004 audit, Gila County has taken steps to better demonstrate the impact of the excise tax by implementing standardized project recordkeeping practices and completing a small area transportation study. To better demonstrate the impact of the excise tax, the County is working toward separately tracking excise tax expenditures from other Road Fund monies so that it can clearly show how monies are being spent.

Excise tax appears to be having an impact on county transportation problems

The excise tax revenues represent about 37 percent of the transportation revenues the County receives, and according to a county official, since fiscal year 2004, the County has used more than \$6 million in Road Fund monies to complete 9 road projects (see textbox), with an additional 14 road projects in progress. For example, the County, in cooperation with the Pinal Creek Group, completed the Old State Route 188/Wheatfields road reconstruction project on August 28, 2008, which was intended to alleviate erosion and shallow flooding near the Pinal Creek Group Water Treatment Plant. Additionally, the County is in the process of constructing a new roadway that will connect to Hospital Drive, providing additional access to the hospital. The County places signs on the improved roadways stating that the excise tax paid for the improvement to

Road Projects Completed Since 2004

- Fossil Creek Phase 1
- Access Road to Courthouse
- Kellner Canyon
- Arcadia Drive
- Six Shooter Canyon Road
- West 1st and North Arbor Avenues
- Star Valley Turn Lane
- Old State Route 188/Wheatfields
- Fairgrounds Road Phase 1

Source: Gila County Public Works Department,
Active Road Projects List.

Photo 1: Road Project Funded by Excise Tax



Source: Auditor General staff.

make the public aware of the excise tax's impact (see Photo 1). However, the County is working to establish a more direct means of determining the tax's specific impact.

County has taken steps that help demonstrate impact

The 2004 audit indicated that the excise tax likely had an impact on solving the County's transportation problems, but the extent of its impact was unclear because the County lacked key documents. Therefore, the audit recommended that the County formalize its project planning processes, continue its efforts to develop a recordkeeping policy for all road projects, and track excise tax expenditures separately.

Since the 2004 audit, the Public Works Division adopted a project records policy designed to standardize recordkeeping for all expenditures related to road construction and maintenance projects. The policy indicates various documents that the Public Works Division should maintain in the road project folder, including bid documents and awards, intergovernmental agreements, and contracts that the County Attorney and Board of Supervisors approved and signed. Auditors' review of three completed project files found them to contain the documents the Division outlined.

The County has also acted to develop a transportation plan against which it can measure the impact of the expenditures. Between February 2005 and June 2006, the County, in association with the Arizona Department of Transportation, the Central Arizona Association of Governments, and the Tonto National Forest, conducted a small area transportation study (study) designed to develop a 20-year transportation plan and implementation program to guide the County in meeting transportation needs. According to the study, it included a public participation process in which the County solicited public comments and feedback on the study process and recommendations (see textbox).

The County adopted the study as its long-term transportation plan on November 21, 2006. In addition, the County uses a 5-year plan, which includes the projects from the long-term plan that it plans to start, continue with, or complete over a 5-year period. The current 5-year plan contains a list of projects from fiscal years 2008 to 2012. However, county officials indicated that the 5-year plan is a changing document and is regularly updated. For example, although the current 5-year plan lists the Broadway Sidewalk, Fossil Creek Phase 2, and Ice House Canyon road projects, county officials indicated that because of state funding cuts, these projects are currently on hold.

Transportation Issues Identified by County Residents

- Adequacy of emergency access
- All-weather property accessibility
- Lack of alternative transportation mode facilities
- Unimproved roadway/dust control
- Deficiency in roadway construction and maintenance funding

Source: Lima & Associates. (2006). Gila county small area transportation study: Final report. Globe, AZ: Gila County.

County should continue pursuing ability to track excise tax expenditures separately

Until March 2009, the County was still combining excise tax revenues with other Road Fund revenues and was not separately tracking expenditures by revenue source. Therefore, it still lacks key records that could be used to identify the specific items that were purchased or projects that were completed using excise tax monies. However, the County has implemented a new computerized accounting system that enables the County to separately track excise tax expenditures from expenditures of other Road Fund monies. In March 2009, the County established a separate fund for excise tax monies and began transferring all fiscal year 2009 excise tax revenues and expenditures to this fund. The County indicated that it plans to complete this process by August 2009. Tracking excise tax expenditures separately will enable the County to more clearly demonstrate the tax's impact. For example, Pinal County, which also has a transportation excise tax, maintains separate funds for each source of transportation funding, tracks expenditures from each fund separately, and determines specific uses for each revenue source.¹ According to a Pinal County official, the excise tax revenue is used strictly for new construction and dust abatement, whereas most HURF revenues are used for road maintenance. By tracking these expenditures separately, Pinal County is able to specifically demonstrate its excise tax's impact.

Recommendation:

- 1.1. To better demonstrate the excise tax's impact on solving transportation problems, the County should continue to work toward tracking excise tax expenditures separately from other Road Fund expenditures using its newly implemented accounting system.

¹ Pinal County maintains three funds specifically for excise tax revenue for each of its three districts.

FINDING 2

Last audit identified inappropriate expenditures, but new county policy has largely corrected these problems

The last audit found that Gila County (County) had inappropriately used some Road Fund monies. In response, the Public Works Division (Division) adopted a policy that has largely corrected the problems. However, this audit identified some other questionable Road Fund expenditures, mostly in the form of credit card purchases.

Previous audit led to identification of \$390,000 in inappropriate expenditures

During the Auditor General's 2004 performance audit of the excise tax, auditors sampled Road Fund transactions and found that the County had used at least \$46,000 of the Road Fund monies to pay for items that did not meet the definition of highway and street purposes (see Report No. 04-L2). For example, the County spent \$10,000 of Road Fund monies to pay a fine resulting from a violation of federal environmental laws, and another \$10,000 to finance the county rodeo. The audit recommended that the County determine the magnitude of the monies spent inappropriately, reimburse the Road Fund, and establish policy to guide the appropriate use of Road Fund monies, including excise tax monies. The County's subsequent review of Road Fund transactions and supporting documentation for fiscal years 1999 through 2004 determined that approximately \$390,000 had been spent inappropriately.

Division created policy, which has helped to ensure Road Fund monies are spent appropriately

Following the previous audit, the County determined that the inappropriate Road Fund expenditures were offset by the \$400,000 in indirect expenditures that the Division could have, but did not, reimburse, the General Fund for during the period that the inappropriate expenditures occurred.¹ However, to prevent future problems the Division created the Approved Highway and Street Expenditures policy, which identifies expenditures that are appropriate uses of Road Fund monies and has helped the County ensure that Road Fund monies are spent appropriately.

Questionable credit card expenditures

This audit found some other questionable Road Fund expenditures, this time mostly in the form of credit card purchases for food. Auditors reviewed samples of both non-credit card and credit card purchases, and found that the majority of non-credit card purchases were appropriate; however, there were a number of questionable credit card purchases, mostly for food for division employees not in travel status. Auditors judgmentally selected a sample of non-credit card purchases from 13 vendors between fiscal years 2004 and 2007 for review.² Auditors determined that purchases made from one of these vendors—bottled drinking water for the Division's office and shop employees totaling \$6,800—were questionable. Auditors also reviewed 1 year's worth of credit card purchases made between July 1, 2003 and December 31, 2008, by 17 of the Division's 61 employees who are funded by the Road Fund and have credit cards. Auditors found several questionable credit card expenditures made by 5 of these employees. These included credit card expenditures totaling more than \$1,000 for food purchases for employees not in travel status or for persons who were not county employees. For example, some employees who were not in travel status purchased meals at local restaurants in Globe using county credit cards. In addition, auditors identified approximately \$1,000 in employees' credit card purchases that exceeded the County's per diem allowances for meals and daily lodging rates for hotel stays while employees were out of town on county business. Finally, these questionable expenditures may violate the State Constitution's prohibition on gifts of public monies.³

¹ Typically, when a department funded by the General Fund provides services, such as accounting or data processing, to departments funded by other sources, these departments would normally reimburse the General Fund for their share of the costs of the services, thereby reducing the General Fund expenditures.

² See Appendix , page a-i, for additional information on the audit's methods.

³ A.R.S. Const. Art. 9, §7.

Division should work with County Attorney to assess expenditures and update Road-Fund-Use policy

The Division should work with the County Attorney to determine whether the food, drinking water, and purchases over per diem were appropriate uses of Road Fund monies. Auditors reviewed samples of non-credit and credit card expenditures to determine if the County was complying with statutory requirements, but the samples were not designed to determine the overall total number and dollar amount of questionable expenditures. If it is determined that any of these expenditures were inappropriate, the Division should determine the magnitude of monies spent inappropriately and work with the County Attorney to determine whether any of the expenditures violated Arizona's Constitution. The Division should also work with the County Attorney to determine how to reimburse the Road Fund for any monies spent inappropriately.

Further, the Division should work with the County Attorney to update its Approved Highway and Street Expenditures Policy to provide greater direction on the appropriate use of Road Fund monies. For example, the policy should specify when it is appropriate to purchase food using Road Fund monies. Along these lines, in April 2009, the County adopted a Heat Stress Illness policy that allows the County to make available water, ice, and electrolyte replacement to all employees at risk of heat disorders, such as road crew personnel.

In addition, during the audit, the County asked for clarification on whether excise tax monies can be used for indirect costs, and according to a 2005 Attorney General Opinion, they can be used for indirect costs.¹ However, if the Division is going to use excise tax monies to pay for indirect costs, such as accounting or data processing services that other divisions provide, the Division should expand its Approved Highway and Street Expenditures Policy to include this. The Division should obtain the County Board of Supervisors' approval for any changes to its policy. The Division should also train employees on the updated and expanded policy and ensure that employees follow it.

County should work with County Attorney to clarify travel policy

The questionable credit card expenditures appear to be caused by the County inconsistently following its own travel policy. In addition, the policy could provide greater direction to county employees. The County's Travel Expenditures and Reimbursement Policy, implemented in 1999, is in line with the *Uniform Accounting*

¹ According to Attorney General Opinion 105-003, HURF monies may be used to reimburse a department that actually performs operational and overhead support for highway and street purposes. Because excise tax monies have the same use restrictions as HURF monies, auditors determined that this same opinion could apply to excise tax monies.

Manual for Arizona Counties' recommendation that counties establish maximum per diem amounts for meal reimbursement. Specifically, the County's policy establishes an in-state per diem meal allowance of \$25 per day. However, the County has not consistently complied with this policy. County officials indicated that the County will approve meal expenditures that exceed the per diem allowance, and there is no limit to the amount it will approve for meal expenditures.

The County's travel policy should be clarified to more clearly define when an employee is in travel status and therefore whether a meal purchase is an allowable expenditure. The County's policy explains that an employee is in travel status when the employee is conducting necessary county business away from his/her designated duty post with a supervisor's approval. The County defines the duty post as the place where the employee spends the largest portion of his/her regular working time. However, the State's travel policy indicates that an employee is on travel status when he/she is 50 miles away from his/her personal residence or regular duty post. This type of distinction would aid county employees in ascertaining whether they are in travel status and whether a meal purchase is an allowable expenditure. Additionally, the State's policy indicates that costs for meals at business meetings when an employee is not in travel status are normally not reimbursed, and that food and beverages for meetings may be provided at meetings only when all attendees agree to pay for the food and beverages from their personal resources.

The County should work with the County Attorney to revise its travel policy to provide adequate guidance to employees in travel status by including important definitions, such as clearly defining when an employee is in travel status. The County should obtain the County Board of Supervisors' approval for any changes to its policy. Once the policy has been approved, the County should train its employees on the updated policy and ensure that employees follow it.

Recommendations:

- 2.1. The Division should work with the County Attorney to determine whether the food, drinking water, and over per diem purchases were appropriate uses of Road Fund monies.
- 2.2. If it is determined that any Road Fund monies were spent inappropriately, the County should:
 - a. Determine the magnitude of monies spent inappropriately;
 - b. Work with the County Attorney to determine whether any of the expenditures violated Arizona's Constitution; and

- c. Work with the County Attorney to determine how to reimburse the Road Fund.
- 2.3. To ensure that Road Fund monies are spent according to statutory and constitutional requirements, the Public Works Division should:
- a. Work with the County Attorney to update the Approved Highway and Street Expenditures Policy to more clearly identify appropriate Road Fund expenditures, such as when it is appropriate to purchase food using Road Fund monies;
 - b. Obtain the County Board of Supervisors' approval for any changes to the policy;
 - c. Train employees on the updated policy; and
 - d. Ensure the policy is followed.
- 2.4. To ensure that county employees have proper guidance related to travel, the County should:
- a. Work with the County Attorney to update its travel policy to ensure that it reflects current approved practices and contains proper controls and guidance;
 - b. Obtain the County Board of Supervisors' approval for any changes to the policy;
 - c. Train employees on the updated policy; and
 - d. Ensure the policy is followed.

APPENDIX A

Methodology

Auditors used various methods to determine the impact of the excise tax on Gila County's (County) transportation problems and to determine whether excise tax monies are being spent appropriately and according to statute. These methods included interviewing county management and staff; reviewing statutes, policies, and procedures; and evaluating the County's internal controls over excise tax expenditures, including those made with credit cards. Auditors also used the following specific methods:

- To determine past and future projects and expenditures of the transportation excise tax revenue and their impact on solving transportation problems within the County, auditors reviewed the 2006 *Gila County Small Area Transportation Study*, the Public Works Division's 5-year plan for county road projects, and three transportation project files; interviewed a member of the County's Board of Supervisors; and observed various completed or in-progress projects.¹
- To assess the County's compliance with the excise tax's statutory requirements, auditors analyzed Road Fund expenditures for fiscal years 2004 through 2007 and reviewed supporting documentation on purchases from 13 vendors that were identified as potentially questionable based on the vendors' names.² Further, based on the data analysis, auditors applied a risk-based selection methodology to isolate those transactions with greatest inherent risk. Auditors determined that credit card transactions were recorded under potentially questionable object codes and were high risk for inappropriate use. Therefore, for fiscal years 2004 through 2009 (as of December 31, 2008) auditors also reviewed 24 files containing 1 year's worth of credit card purchases made by 17 of the 61 Public Works Division employees who were funded by the Road Fund and had credit cards. Most of these 17 employees were selected using a quota sample, selecting at least one employee and one supervisor from each of the Public Works Division's five departments that Road Fund monies supported.

¹ Lima & Associates. (2006). *Gila county small area transportation study: Final report*. Globe, AZ: Gila County.

² As described in the Introduction and Background section, see page 2, until March 2009, the County combined all of the various revenues for road and transportation projects, including HURF, VLT, and excise tax revenues, into one fund, known as the Road Fund, because the revenues have similar statutory restrictions. Since the County had not separately budgeted for or tracked expenditures from each revenue source, any expenditures within the Road Fund that did not meet the definition of highway and street purposes were considered questionable.

AGENCY RESPONSE

AGENCY RESPONSE

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May 27, 2009

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Re: Auditor General's Revised Preliminary Draft of the Transportation Excise Sales Tax

Dear Ms. Davenport:

Gila County, once again, appreciates the opportunity to respond to the recommendations contained in the revised preliminary draft.

We have worked and continue to work on improving our accounting and controls. At your recommendation, the Excise Tax funds have been segregated from the other road funds.

We are responding specifically to the following:

Recommendation 1.1 To better demonstrate the excise tax's impact on solving transportation problems, the County should continue to work toward tracking excise tax expenditures separately from other Road Fund expenditures using its newly implemented accounting system.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The County will continue to track the Excise Tax funds separately from the other Road Fund expenditures using the newly implemented accounting system.

Recommendation 2.1 The Division should work with the County Attorney to determine whether the food, drinking water, and over per diem purchases were appropriate uses of Road Fund monies.

The finding of the Auditor General is not agreed to, but the recommendation will be implemented. The County will work with the County Attorney's office and make a determination regarding the expenses for food provided at meetings, drinking water and per diem amounts when paid for with Road Fund monies.

Recommendation 2.2 If it is determined that any Road Fund monies were spent inappropriately, the County should a. determine the magnitude of monies spent inappropriately; b. work with the County Attorney to determine whether any of the expenditures violated Arizona's Constitution; and c. work with the County Attorney to determine how to reimburse the Road Fund.

The finding of the Auditor General is not agreed to, but the recommendation will be implemented. We are willing to reimburse any expenditure's that are considered inappropriate for the Transportation Excise Tax from the General Fund. We do not believe we have violated the Arizona State Constitution with any of the expenditures.

Recommendation 2.3 To ensure that Road Fund monies are spent according to statutory and constitutional requirements, the Public Works Division should: a. work with the County Attorney to update the Approved Highway and Street Expenditures Policy to more clearly identify appropriate Road Fund expenditures, such as when it is appropriate to purchase food using Road Fund monies; b. obtain the County Board of Supervisors' approval for any changes to the policy; c. train employees on the updated policy; and d. ensure the policy is followed.

The finding of the Auditor General is not agreed to, but the recommendation will be implemented. We will work with the County Attorney to update the Approved Highway and Street Expenditures Policy in order to more clearly identify appropriate Road Fund expenditures, will obtain the County Board of Supervisors' approval on revised policy, and will ensure employees are trained and are adhering to the revised policy.

Recommendation 2.4 To ensure that County employees have proper guidance related to travel, the County should: a. work with the County Attorney to update its travel policy to ensure that it reflects current approved practices and contains proper controls and guidance; b. obtain the County Board of Supervisors' approval for any changes to the policy; c. train employees on the updated policy; and d. ensure the policy is followed.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. We will work with the County Attorney to update the County's Travel Policy in order to reflect current practices, controls, and guidance, will obtain the County Board of Supervisors' approval on revised policy, and will ensure employees are trained and are adhering to the revised policy.

Our Staff had an initial meeting with the County Attorney's office to go over some of the findings and recommendations. Without looking at them in detail, it appeared that none of the expenditures violated the Arizona Constitution. We will continue to work with the County Attorney on these matters.

We continue to look forward to working with you and your staff to improve our accounting and resultant audits of the Transportation Excise Tax fund.

Sincerely,

Steven L. Besich
County Manager/Clerk

SB/sec
CC: Shirley L. Dawson, Chairman of the Board of Supervisors

Performance Audit Division reports issued within the last 24 months

07-03	Arizona Department of Transportation—Highway Maintenance	08-01	Electric Competition
07-04	Arizona Department of Transportation—Sunset Factors	08-02	Arizona’s Universities—Technology Transfer Programs
07-05	Arizona Structural Pest Control Commission	08-03	Arizona’s Universities—Capital Project Financing
07-06	Arizona School Facilities Board	08-04	Arizona’s Universities—Information Technology Security
07-07	Board of Homeopathic Medical Examiners	08-05	Arizona Biomedical Research Commission
07-08	Arizona State Land Department	08-06	Board of Podiatry Examiners
07-09	Commission for Postsecondary Education	09-01	Department of Health Services, Division of Licensing Services—Healthcare and Child Care Facility Licensing Fees
07-10	Department of Economic Security—Division of Child Support Enforcement	09-02	Arizona Department of Juvenile Corrections—Rehabilitation and Community Re-entry Programs
07-11	Arizona Supreme Court, Administrative Office of the Courts—Juvenile Detention Centers	09-03	Maricopa County Special Health Care District
07-12	Department of Environmental Quality—Vehicle Emissions Inspection Programs	09-04	Arizona Sports and Tourism Authority
07-13	Arizona Supreme Court, Administrative Office of the Courts—Juvenile Treatment Programs	09-05	State Compensation Fund

Future Performance Audit Division reports

Department of Health Services, Behavioral Health Services—Substance Abuse Programs

