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May 27, 2009

Debra K. Davenport, CPA
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

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