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AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 29, 2020

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Coconino County Board of Supervisors

Navajo County Board of Supervisors

The Honorable Mark Brnovich, Arizona Attorney General

We have conducted a financial investigation of certain Coconino County purchasing card transactions for the period July 2013 through April 2017 and certain Navajo County purchasing card transactions for the period August 2017 through March 2020. 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 Coconino and Navajo Counties' 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 resulting from this investigation.

Sincerely,

Lindsey A. Perry, CPA, CFE
Auditor General

Coconino and Navajo Counties Criminal Indictment—Theft and Misuse of Public Monies

SYNOPSIS: As part of their responsibility to prevent and detect fraud, Coconino County officials took appropriate action by reporting to us an allegation of financial misconduct by Jeff Lee, former Public Health Emergency Preparedness program manager II. Our investigation revealed that from July 2013 through April 2017, Mr. Lee allegedly used his Coconino County purchasing card to make 237 personal purchases totaling \$82,550, recording false transaction descriptions in Coconino County’s accounting software to help conceal his actions. Mr. Lee allegedly continued this unlawful practice at Navajo County where he was hired as Public Health Services health director in April 2017. Navajo County officials determined that from August 2017 through March 2020, Mr. Lee used his Navajo County purchasing card to make 135 purchases totaling \$9,148 that lacked supporting and/or public purpose documentation and requested and received reimbursement from him. Of those 135 Navajo County purchases, we determined Mr. Lee allegedly recorded false information in Navajo County’s accounting software for 6 personal purchases totaling \$1,762, helping to conceal his actions. We have submitted our report to the Arizona Attorney General’s Office, which on December 15, 2020, presented evidence to the State Grand Jury. The action resulted in Mr. Lee’s indictment on 16 felony counts related to theft, misuse of public monies, and fraudulent schemes.

Overview

Mr. Lee began employment with the Coconino County Public Health Services District in August 2012, resigning in April 2017 when he accepted employment with Navajo County Public Health Services.¹ In both positions, Mr. Lee was issued respective county purchasing cards, which were authorized to be used only for county business purposes. During our financial audit of Navajo County and after Coconino County officials notified us of Mr. Lee’s potential misconduct with his Coconino County purchasing card, we discovered Mr. Lee had similar conduct with his Navajo County purchasing card. In February 2020 we reported this information to Navajo County officials, who then reviewed 3 fiscal years of Mr. Lee’s purchasing card transactions and requested and ultimately received \$9,148 from Mr. Lee for his purchases that lacked supporting and/or public purpose documentation. As of this report date, Mr. Lee remains employed as Navajo County’s health director but without access to a purchasing card.

Mr. Lee allegedly used his Coconino County purchasing card to make 237 personal purchases totaling \$82,550, concealing his actions by entering false descriptions in County accounting software

From July 2013 through April 2017, Mr. Lee used his Coconino County purchasing card to pay for 237 purchases he made totaling \$82,550 for gift cards, his family’s cell phone services and accessories, clothing and decals on which his personal business logo was printed, camping products, appliances, tools, electronics, and other personal items like an Apple watch, Beats headphones, and weight loss supplements.² About 40 of these purchases, including gift cards, were made on Christmas Eve, New Year’s Eve, weekends, or when Mr. Lee was on vacation. Additionally, some purchases such as a clothes dryer, 14-cubic-foot freezer, scout cameras, and a hunting backpack were delivered to Mr. Lee’s home. For all 237 personal purchases, Mr. Lee recorded false purpose descriptions in County accounting software, making it appear as if the purchases were for valid County purposes. For example, Mr. Lee made 14 monthly payments totaling \$728 for leasing outdoor space at a Flagstaff RV and boat storage facility, falsely recording in County accounting software

¹ In April 2019, Coconino County merged the Public Health Services District into the Health and Human Services Department.

² In November 2014, Mr. Lee formed a limited liability company named Wicked Horn Outfitters, LLC. This business provides guided wild game hunts and sells shirts, pants, jackets, hats, and decals with the company logo.

that each payment's purpose was for storing emergency response supplies. The lease agreement does not reference the County. Instead, Mr. Lee's home address is listed with the type of item stored described as a "27' travel trailer KOD." When we asked Mr. Lee about these 14 payments, he said that there should be checks reimbursing those charges, which were "mistakes." The County had no record of reimbursement for these charges.

Mr. Lee made 135 unsupported purchases totaling \$9,148 that he repaid, and he entered false information in Navajo County's accounting software for 6 of those purchases totaling \$1,762

Navajo County officials determined that from August 2017 through March 2020, Mr. Lee used his Navajo County purchasing card to make 135 purchases totaling \$9,148 that lacked supporting and/or public purpose documentation and requested Mr. Lee to reimburse the County. These purchases were generally made at restaurants, gas stations, retail stores, hotels, airlines, a cell phone service provider, and a transportation service provider. From February through August 2020, Mr. Lee issued 7 personal and business checks payable to Navajo County totaling \$9,148.

Of these 135 purchases, Mr. Lee entered false information in Navajo County's accounting software for 6 personal purchases totaling \$1,762 that he made from March through September 2019. Specifically, on each occasion, Mr. Lee recorded in the accounting software statements conveying that he was providing a reimbursement check because he had used the wrong card when paying a cell phone service provider, a restaurant, and contributing to an individual's memorial. However, Mr. Lee did not provide those reimbursement checks until nearly a year later when County officials requested them because they discovered the personal purchases and false information as described above.

Former and current officials at both counties failed to properly review Mr. Lee's purchasing card transactions

Former Coconino County officials did not require Mr. Lee to submit itemized receipts for his purchasing card transactions and paid for those transactions even if they had not yet been reviewed and approved. Former and current Navajo County officials failed to review Mr. Lee's purchasing card transactions in a timely manner for supporting and/or public purpose documentation and did not ensure he reimbursed the County in a timely manner for all of his personal purchasing card transactions.

Recommendations

Since becoming aware of the alleged theft, officials at both counties reported that they have implemented certain improvements to controls over purchasing cards. Specifically, Coconino County reported that 2 levels of review are now required to ensure purchases have itemized receipts and are for a public purpose before payment is processed and that it provides training to new purchasing card users and reviewers who are orally informed that all purchasing card transactions must have an itemized receipt. Coconino County also hired an internal auditor who is expected to review a month's worth of each department's purchasing card transactions and itemized receipts annually. Navajo County reported that it updated its purchasing card policies to include guidelines for reviewers on handling purchasing card misuse, including disciplinary action and reimbursement. However, both counties can take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, Coconino and Navajo County officials should:

- Include in written policies and procedures that itemized receipts are required to be submitted for all purchasing card purchases.
- Provide annual training to employees who review purchasing card transactions. This training should describe allowable and unallowable purchases, procedures on handling personal purchases, and how to properly record their review and approval. Trained employees should document their understanding in writing.