

**APACHE COUNTY, ARIZONA
BOARD OF SUPERVISORS
Report on ~~Special~~ Investigation
For the Period July 1989
Through January 1992**

**AUDITOR GENERAL
STATE OF ARIZONA**

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA

June 2, 1992

Members of the Arizona State Legislature

The Board of Supervisors of Apache County, Arizona

We have conducted a special investigation of the expenditures of the Board of Supervisors of Apache County for the period July 1989 through January 1992. Our investigation was performed to determine if public funds had been misused or misappropriated during that period, and if the internal accounting controls over the expenditures of the Board of Supervisors were adequate to prevent any subsequent misuse or misappropriation.

Our investigation consisted primarily of inquiries and the examination of selected records and other documentation. Therefore, our investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the adequacy of the financial records or the system of internal accounting control over the expenditures of the Apache County Board of Supervisors, nor do we ensure that all material weaknesses in the system or other conditions that require correction or improvement were disclosed.

The accompanying report describes our findings and recommendations as a result of the investigation. Two of our findings involved the Ganado Unified School District No. 20; therefore, we would like to thank both the County and the District for their cooperation during our investigation.

After this report is distributed to the members of the Arizona State Legislature, the Board of Supervisors of Apache County, the La Paz County Attorney, and the Ganado Unified School District, it becomes public record.

A handwritten signature in cursive script that reads "Douglas R. Norton".

Douglas R. Norton
Auditor General

Attachment

In September 1991, the Auditor General's Office received allegations that public funds were being misused and possibly misappropriated by one or more members of the Apache County Board of Supervisors. The allegations concerned the Supervisor's expenditures, especially those resulting from travel reimbursement, purchasing, and the use of revolving funds, Highway User Revenue Funds, and County credit cards. To address these allegations, a special review was initiated. During the preliminary phase of our review, we determined that public funds were apparently being misused, and at least one Supervisor was evidently using a County credit card to misappropriate public funds.

We reviewed our preliminary findings concerning the suspected misappropriation with the Apache County Attorney, and based on our findings at that point in our review, a criminal investigation was conducted in conjunction with the Apache County Sheriff's Office. The investigation revealed that the Apache County Supervisor for District 11 misappropriated public funds during the period July 1989 through January 1992, which resulted in a criminal complaint being filed in Superior Court against Supervisor Henry Curley. Due to the conflict of interest of the Apache County Attorney, the case is being prosecuted by the La Paz County Attorney.

The results of our investigation are summarized in two findings. The first finding, that public funds were misappropriated and records were falsified, details all criminal charges filed against Supervisor Curley. The second finding presents specific instances of noncompliance and/or misuse of public funds.

We determined that these findings occurred primarily because of weak and circumvented internal accounting controls over the Supervisors' expenditures. The weaknesses in the system of internal accounting control we noted and our recommendations concerning them are presented at the conclusion of this report.

Finding I - Misappropriations of Public Funds

A Public Official Misappropriated Public Funds and Falsified Official Records.

During the period July 1989 through January 1992, Henry Curley, the Apache County Supervisor for District II, misappropriated Apache County General Funds totaling \$3,277.86, and altered or falsified official records to circumvent applicable internal accounting controls. Supervisor Curley misappropriated public funds by obtaining a cash advance for personal use, making a loan payment and paying repair bills on a personal vehicle, purchasing items for personal use, and purchasing alcohol.

Cash Advance

On November 23, 1991, Supervisor Curley used an Apache County credit card to obtain a \$1,200 cash advance for personal use. A fee of \$62.25 for this cash advance was also charged to the County's credit card.

Personal Vehicle Loan Payment and Repairs

1. On January 2, 1992, Supervisor Curley charged a loan payment of \$453.91 for his personal vehicle to an Apache County credit card.
2. On October 18, 1990, August 26, 1991, and October 14, 1991, Supervisor Curley charged repairs performed on his personal vehicle of \$152.56, \$281.46, and \$197.96, respectively, to an Apache County credit card. These charges totaled \$631.98.

Mr. Curley submitted altered and/or falsified documents to the Apache County Finance Department that indicated all three repair charges were for a County vehicle.

Purchase of Items for Personal Use

1. Supervisor Curley made four charges to an Apache County credit card for horse tack and related items for personal use. These charges totaled \$563.38.

Supervisor Curley charged two of these expenditures, \$100.00 on July 6, 1991, and \$109.68 on August 14, 1991, to one particular vendor, and submitted a falsified document dated August 20, 1991, to the Apache County Finance Department that stated the charge of \$109.68 was for the purchase and installation of a heavy-duty towing jack and equipment for a County vehicle. Supervisor Curley did not provide the County Finance Department with any documentation to support the \$100.00 charge.

Finding I - Misappropriations of Public Funds (Concl'd)

Supervisor Curley charged the two other expenditures, \$158.85 on October 1, 1990, and \$194.85 on August 5, 1991, to a second vendor, and submitted a falsified document dated November 8, 1990, to the Apache County Finance Department that stated the \$158.85 charge was for repair supplies for a County vehicle during an authorized County business trip. Supervisor Curley provided no explanation for the \$194.85 charge other than a typed notation on the charge slip that indicated the purchase was for supplies.

Supervisor Curley also misrepresented the purpose of these four expenditures to us during our investigation.

2. Supervisor Curley charged \$10.61 for guitar strings on January 14, 1991, and \$63.64 for a musical instrument case on January 31, 1991, to an Apache County credit card.

Supervisor Curley submitted falsified documents to the Apache County Finance Department to justify these charges. In a memorandum dated February 6, 1991, Supervisor Curley stated the \$10.61 charge was for the purchase of mobile radio cable connectors for a County vehicle. On February 28, 1991, Supervisor Curley submitted a document stating the \$63.64 charge was for the purchase of a case for engineering equipment.

Supervisor Curley also misrepresented the purpose of the \$63.64 expenditure to us during our investigation.

Purchase of Alcohol

On eleven separate occasions, Supervisor Curley charged alcoholic beverages or packaged liquor totaling \$292.09 to an Apache County credit card.

On nine occasions during the period May 1991 through December 1991, Supervisor Curley purchased packaged liquor from one particular vendor. These charges totaled \$151.19.

On October 17, 1990, Supervisor Curley charged alcoholic beverage purchases of \$70.90. The Supervisor also left a \$35.10 tip for a total expenditure of \$106.00.

On September 18, 1991, Supervisor Curley charged \$78.39 at a lounge; \$70.00 of the charges were for alcoholic beverages. He then submitted a falsified document to the Apache County Finance Department that stated these charges were for meals while on County business.

Finding II - Findings of Noncompliance and Misuse

The Apache County Board of Supervisors made numerous expenditures that either did not comply with Arizona statutory and constitutional requirements or were a misuse of public funds, or both.

Our findings concerning these expenditures are grouped into the following categories: unallowable expenditures and expenditures that violate Highway User Revenue Fund regulations, which comprise our findings of noncompliance, and those findings that constitute a misuse of public funds.

Unallowable Expenditures

1. Three expenditures for two Navajo religious ceremonies were made from the District II revolving account. These expenditures are in violation of the Arizona State Constitution, Article 2, §12, which states that public money shall not be used for any religious worship or exercise. These expenditures, totaling \$650, were made from Highway User Revenue Fund monies.
2. The District II Supervisor used open purchase orders twice to obtain \$140 of prerecorded music for personal use. These purchases were paid for with Highway User Revenue Fund monies.
3. In addition to the misappropriation of public funds through the purchase of alcohol covered in Finding I, the District II Supervisor charged eight additional liquor purchases totaling \$138 to a County Mastercard. For one of the eight purchases, the Supervisor submitted a falsified document to the County that stated the charge was for lunch for himself and a County employee. The Supervisor also purchased \$134 in beer on eight separate occasions from five restaurants and lounges.
4. The District I and II Supervisors improperly expended over \$6,000 in public funds for coffee, meals for staff meetings, and food for District Offices.
 - a. During the period July 1989 through October 1991, the District I and II Offices expended \$3,400 (\$1,400 from District I and \$2,000 from District II) of Highway User Revenue Fund monies for coffee and related items for District and road yard staff. District I General Funds were also used to purchase coffee.
 - b. The District I Supervisor charged \$380 to a County Mastercard for staff meetings at one local restaurant and an additional \$320 at other local restaurants for meals before and after work for himself and other District I staff.

Finding II – Findings of Noncompliance and Misuse (Cont'd)

- c. The District II Office expended \$846 at a local restaurant for meals for District II staff meetings. The District II Office had an account with this restaurant and charged meals on a regular basis. Of the total expended by the County, \$540 was expended from Highway User Revenue Fund monies.
 - d. District II expended \$1,000 at a local grocery for food for District staff, most of which appeared to be for breakfasts, lunches, and snacks. These expenditures were made from Highway User Revenue Fund monies.
 - e. On one occasion, the District II Supervisor purchased items totaling \$210 from a Phoenix grocery. The items, which included pistachios, Poptarts, and Twinkies, were paid for with Highway User Revenue Fund monies. The Supervisor indicated these items were used for a staff meeting.
5. During the period July 1989 through September 1991, the District I and II Supervisors improperly expended over \$5,700 in public funds for parade floats for two annual Navajo Nation fairs, one of which was held in New Mexico. The Districts' participation in these events was solely at the Supervisors' discretion, and promoted their individual District Office, not the County. In accordance with Arizona Revised Statutes (A.R.S.) §11-258, the County may hold a County fair or participate in a District fair, which is designated as a fair held by two or more counties. There is no provision for participation in the fairs of non-County entities other than the State fair.
- a. District I expended \$3,400 for its participation in these fairs, including \$3,150 solely for candy to throw from parade floats. Almost \$800 of these expenditures were made from Highway User Revenue Fund monies.
 - b. The District I Supervisor charged \$300 to a County Mastercard for travel expenses for himself and District I staff to participate in these fairs.
 - c. District II expended over \$2,000 for float decorations, feathers, candy, parade banners, balloons, booth rentals, and entry fees for these fairs. Over \$1,800 of these expenditures were made from Highway User Revenue Fund monies.
6. For the period November 1989 through December 1990, District II expended \$600 from its revolving account to purchase holiday items, including decorations, Christmas cards to constituents, and rental fees and deposits for staff parties. Highway User Revenue Fund monies were used to pay for \$200 of these purchases.

Finding II - Findings of Noncompliance and Misuse (Cont'd)

7. The District II Supervisor purchased animal clippers from a local vendor through an open purchase order. The animal clippers, which were used during a seminar sponsored by the Navajo Nation, were not returned to the County. The County properly refused to pay the invoice for the open purchase order because the expenditure was not for County purposes. However, approximately five months later, a check was issued from the District II revolving account to pay for the animal clippers, and the expenditure was charged to the Highway User Revenue Fund. Because the Supervisor circumvented the County's internal accounting controls, the County not only improperly purchased animal clippers but used Highway User Revenue Fund monies to pay for them.
8. In violation of A.R.S. §28-1441, the District I Supervisor purchased undercover license plates for the last three vehicles assigned to him. According to A.R.S. §28-1443, a County Supervisor does not qualify for an exception to A.R.S. §28-1441 and, therefore, does not qualify for undercover plates. In addition, the registration fee for undercover license plates was approximately \$250, while the registration fee for County plates would have been only \$4. The 1991-92 registration fee of \$252 for one vehicle was paid from Highway User Revenue Fund monies.
9. On nine occasions from July 1990 through June 1991, the District II Supervisor, who was also a member of the Governing Board of Ganado Unified School District No. 20, claimed and received reimbursement from Ganado Unified School District No. 20 for meals he purchased with an Apache County Mastercard.
10. The District II Supervisor claimed and received over \$950 in mileage reimbursements from the District II revolving account during the period June 1989 through August 1991. Because the County provided the Supervisor with the use of two County vehicles during this period, these reimbursements were not allowable expenditures.

For two of these trips, the District II Supervisor claimed mileage reimbursements after using a County credit card to purchase fuel for his personal vehicle. This Supervisor also charged fuel to a County credit card on another trip and was later reimbursed by the Ganado Unified School District No. 20 for mileage for the same trip.
11. On seven occasions, the District II Supervisor charged fuel and/or car washes for his personal vehicle totaling \$200 to County credit cards. These charges were paid by the County. The Supervisor altered or falsified four charge slips so that it appeared these expenditures were for County vehicles.

Finding II - Findings of Noncompliance and Misuse (Cont'd)

Violations of Arizona Constitutional Restrictions on Highway User Revenue Funds

The County received Highway User Revenue Fund monies through the Arizona Department of Transportation. These funds are governed by the Arizona State Constitution, Article 9, §14, which requires that the funds be used for the construction, reconstruction, maintenance, repair, and roadside development of roads, streets, and bridges. The funds may also be used for right-of-way acquisition expenditures and principal and interest payments on highway and street bonds. The Apache County Supervisors manage the road yards for their respective Districts, including the expenditure of Highway User Revenue Fund monies. During our investigation, we noted the following violations of Article 9, §14 of the Arizona State Constitution.

1. During the period July 1989 through December 1991, the District I and II Supervisors made unallowable expenditures of \$9,200 from Highway User Revenue Fund monies. These expenditures included \$3,400 for coffee, \$1,750 for food for staff, \$650 for religious ceremonies at dedications, \$2,610 for parades, \$200 for decorations for staff parties, \$252 for undercover license plates for the District I Supervisor's vehicle, \$180 for animal clippers, and \$140 for personal items purchased by the District II Supervisor. In addition to being in violation of the Arizona State Constitution, Article 9, §14, these expenditures are not allowable expenditures of any public funds. The Unallowable Expenditures section of this finding provides information in greater detail about these expenditures.
2. The District II Office purchased \$2,700 in equipment with Highway User Revenue Fund monies that was not for roads-related use: \$1,400 for a television and video equipment and \$1,300 for a carpet shampooer for the District Office.
3. The District I and II Offices made expenditures of Highway User Revenue Fund monies totaling \$16,900 that do not comply with the regulations of the Arizona State Constitution, Article 9, §14. In addition, several of these expenditures were excessive and a misuse of any public funds, including \$4,000 for cameras, film, and film processing; \$1,200 for certificates and plaques, most of which were for staff; \$2,000 for office decorations; and \$560 for special rims for the District II Supervisor's vehicle. The Misuse of Public Funds section of this finding provides information in greater detail about these expenditures.
4. The District I and II Supervisors expended Highway User Revenue Fund monies of over \$2,000 to pay the travel expenses of District administrative personnel on County business. The District II Supervisor approved the charging of County travel expenses to the road funds in 1991 because the amount budgeted for travel in the District's General Fund had been expended.

Finding II - Findings of Noncompliance and Misuse (Cont'd)

5. During the period July 1989 through December 1991, District I expended \$2,000 of Highway User Revenue Fund monies at a local grocery store for paper products and cleaning supplies for the road yard. Although the purchase of supplies is an allowable expenditure of Highway User Revenue Funds, these supplies should have been purchased in quantity through the County's Purchasing Department. Purchasing supplies individually from a local grocery store is a misuse of Highway User Revenue Fund monies.
6. All three Districts made numerous expenditures from the Highway User Revenue Fund that were only partially for road yard use, including postage for District Offices, maintenance agreements for District office machines, and the purchase of a vehicle assigned solely to the Supervisor. These expenditures should have been paid partially from the District's General Fund.

Misuse of Public Funds

1. During the period June 1989 through May 1990, six donations totaling \$1,050.00 were made from the District I revolving account. The recipients of these donations included a youth group, a senior citizen group, a private school, and a child abuse conference sponsored by the Navajo Nation. These donations were made solely at the discretion of the Supervisor and were not made in accordance with County disbursement procedures.

In general, donations may not be made of public funds; however, certain donations that benefit the public may be allowed. Donations that benefit the public should be made on behalf of the County, not on behalf of a District or Supervisor. Such donations should also be approved by the Board of Supervisors, and the Board's approval should be documented in the minutes of Board meetings along with the public purpose served by the donation. In addition, donations should be made by warrant through the County Finance Department, not through a revolving account.

2. Districts I and II expended almost \$4,000 of Highway User Revenue Fund monies on cameras, film, and film processing during the period July 1989 through October 1991. The amount of film purchased was enough to produce over 3,500 photos.
3. During the period July 1989 through August 1991, District I expended \$2,000 and District II expended over \$1,300 for Navajo artwork, such as rugs and sand paintings, and other office decorations through their revolving accounts. These purchases were made at the Supervisors' discretion and were not in accordance with County purchasing policies and procedures. In addition, District II improperly paid for \$1,200 of these purchases with Highway User Revenue Fund monies.

Finding II - Findings of Noncompliance and Misuse (Cont'd)

4. The District II Supervisor used the County Mastercard excessively. During the period July 1989 through January 1992, the amount of his charges exceeded the total amount of the other two Supervisors' charges combined. In addition, for the first seven months of fiscal year 1991-92, his charges almost equaled another Supervisor's charges for the entire two and one-half year period.
5. All three Supervisors indicated they used their County Mastercards to pay for guest meals. The District II Supervisor estimated that only 15 percent of his charges for guest's meals were during business meetings; most meals that he purchased for guests were after County business meetings. The District III Supervisor stated that he had, at times, purchased meals for guests when he was on County business. In addition to charging meals when County business was discussed, the District I Supervisor indicated he often took his constituency out for lunch or coffee. The District I Supervisor also charged \$380 to the County Mastercard at restaurants in his home town. He indicated these charges were breakfast or lunch meetings with guests.
6. All three Supervisors manipulated the bidding process for purchasing the vehicles assigned to them to obtain a specific truck from a local vendor. Criteria, such as options and delivery dates, that were not included in the bid specifications were used in awarding the contracts. Bids were solicited only from local vendors, and State purchasing contract amounts were not considered. In addition, all three trucks purchased included upgrades such as stereos, cruise control, and power windows and locks.
7. The District II Supervisor authorized the expenditure of \$560 for aluminum alloy rims for the County truck assigned to him. These rims were obtained through a County purchase order and were paid for with Highway User Revenue Fund monies.
8. In March 1990, the District II Supervisor charged \$280 to a County Mastercard for meals, lodging, and a rental car for a personal trip. The County paid these expenditures and, as of February 1992, the Supervisor had not reimbursed the County.
9. The District II Supervisor charged \$144 to a County Mastercard for three airline tickets for his family. The County paid for the tickets. Approximately one year later, after numerous requests from the County, the Supervisor reimbursed the County.
10. The District I and II Supervisors charged a significant number of travel expenses to County credit cards on weekends. In many instances, the Supervisors were on travel status either Friday or Monday, but not both days, and charged travel expenses for both Saturday and Sunday to County credit cards. The District II

Finding II – Findings of Noncompliance and Misuse (Concl'd)

Supervisor used a County Mastercard 24 out of 40 weekends during the first ten months of 1991. The District I Supervisor often charged expenses on the weekend in his home town. The District I and II Supervisors did not submit any documentation to the County to support any official business conducted on these weekends.

11. The Supervisors for Districts I and II charged an excessive number of gasoline purchases to County gas cards and the County Mastercard, although there is a fuel pump in all County road yards. One Supervisor stated he often forgot to get fuel at the County road yards and had to use public filling stations to charge his fuel while on the road.
12. As of February 1992, the District I Supervisor had a travel advance that had been outstanding since May 1989 for which he had not submitted a travel claim or applicable receipts relating to the advance, or reimbursed the County. In addition, the Supervisor did not reimburse the County for another travel advance, which was in excess of the applicable actual travel expense, for over a year and a half.
13. The District I Supervisor justified \$700 in charges to a County Mastercard for travel expenses for himself and other District I employees as related to equipment searches and obtaining supplies for the District Office. The County's purchasing Department should perform this function.

Cause and Recommendations

The County's lack of adequate internal accounting controls over the Supervisors' revolving funds, travel expenses, and credit cards, combined with the Supervisors' circumvention of internal accounting controls plus their abuse of open purchase orders created an environment in which public funds were misused, misappropriated, and/or not expended in compliance with Arizona statutory and constitutional requirements.

The County's system of internal accounting control over the Board of Supervisors' expenditures was inadequate as evidenced by the following weaknesses noted in controls over travel reimbursement, the use of credit cards and revolving funds, and purchasing.

Travel

In accordance with the Uniform Accounting Manual for Arizona Counties (UAMAC) Page VI-H-1, travel expenses may be incurred whenever county officers or employees must conduct county business away from their designated post of duty. The UAMAC assigns the Board of Supervisors the responsibility for establishing an adequate internal control structure that ensures County travel expenses are properly authorized, recorded, and reported. As evidenced by the following specific policy and procedure deficiencies noted during our investigation, the County's current travel policy was not adequate to safeguard funds expended for travel from misuse and misappropriation.

1. The County's travel policy did not require the approval of travel claims.
2. Supervisors were not required to justify the purpose of travel expenses charged to County credit cards. Also, the County's travel policy did not require that a travel claim be completed and submitted to the County Finance Department for travel expenses charged to County credit cards.
3. The County's travel policy did not establish maximum per diem limits for meal reimbursements. Although per diem amounts were stated in the travel policy, reimbursements were made in excess of stated per diem amounts if a receipt was submitted. Itemized receipts were not required. Because acceptable forms of receipts included restaurant stubs and credit card slips, the County is susceptible to unreasonable reimbursements for meals and the possibility of reimbursement for guest's meals.
4. The County's travel policy did not include a limit for lodging expenses.
5. Travel advances made through the revolving funds for Districts I and II were not adequately controlled to ensure advances were repaid or netted against the applicable travel claims.

Cause and Recommendations (Cont'd)

6. Justification for the use of a personal vehicle was not required for mileage reimbursements from the District II revolving fund.

The County should strengthen its travel policy to ensure that County travel expenses are properly accounted for and recorded in accordance with the policies and procedures set forth in UAMAC Section VI-H. The County should require justification of all travel expenditures, including those charged on County credit cards. Employee travel claims should be approved by the applicable department head, and travel claims for department heads and Supervisors should be approved by the Board. In addition, the County should set maximum per diem limits for meals and lodging. Adequate internal controls over travel advances and reimbursements from revolving funds should be established, including controls to ensure advances are repaid promptly or netted against the applicable actual travel expenses.

Supervisors' Mastercards

The Board did not establish adequate internal accounting controls to ensure County Mastercards were used only for proper County purposes. As a result, public funds were misused and misappropriated through the Supervisors' uncontrolled use of County Mastercards.

1. The Board did not have a formal policy for the use of County Mastercards.
2. Supervisors could use County Mastercards to obtain cash advances of up to \$5,000.
3. Written justification was not required for charges made to County Mastercards. Supervisors were not required to document the purpose of a charge or submit itemized receipts. Supporting documentation submitted by the Supervisors for Mastercard charges usually consisted only of their copy of the charge slip. In addition, on numerous occasions, supporting documentation was not submitted to the County in a timely manner; in some instances supporting documentation was still outstanding after two years.
4. Purchases charged to County Mastercards were not made in accordance with County procurement policies and procedures. In addition, adequate documentation indicating proper authorization was not maintained, and requisitions, purchase orders, and receiving reports were not used for these purchases. The UAMAC Section VI-F details proper purchasing procedures for Counties.
5. Supervisors were not required to justify the purpose of travel expenditures charged to County Mastercards. The County's travel policy did not require that a travel claim be completed and submitted for travel expenses charged to County Mastercards.

Cause and Recommendations (Cont'd)

6. Supervisors often used Mastercards to purchase meals for other County employees while on travel status and during staff meetings. Supervisors also used Mastercards to pay for guest's meals.
7. Due to a lack of internal accounting controls over County Mastercards, we requested that each Supervisor justify the charges on their County Mastercards for the period July 1989 through September 1991. The Supervisors for Districts I and II did not adequately justify their charges as described below.
 - a. The District I Supervisor did not maintain a record of the charges to his County Mastercard. For several charges, the Supervisor could provide only his best guess as to the purpose of the charge.
 - b. The District II Supervisor provided this information only for the six-month period July through December 1989; consequently, we were unable to determine the propriety or reasonableness of approximately \$14,700 in charges during the remaining 21 months.

The County should immediately adopt a comprehensive policy governing the use of County Mastercards. This policy should include adequate controls to ensure that charges made to County Mastercards are for proper County business and that these charges comply with legal and UAMAC requirements. To help accomplish this, the use of Mastercards for travel expenses should be restricted, and procurements should be made only through the County's Purchasing Department or revolving funds. Also, to properly safeguard cash, the County should change the provisions of its Mastercards to ensure that cash advances are not available. In addition, the County should evaluate the necessity of a \$5,000 limit on each card.

Our investigation of the Supervisors use of County Mastercards resulted in a criminal complaint being filed against one Supervisor for using a County Mastercard to misappropriate public funds. Due to the seriousness of our findings, we recommended the County consider having legal responsibility for payment on the cards placed with the cardholder. The cardholder would then be required to file a travel claim with the County for reimbursement of all properly supported charges.

Revolving Funds

Districts I and II were each assigned a revolving fund checking account with an imprest balance of \$1,500. But, the County's policy governing the use of these funds did not provide the level of internal control required by the UAMAC Pages VI-C-3.8 through 3.10.

1. The County's policy stipulated that the funds were to be used only for emergencies, but implied that travel advances could be made through the revolving fund. However, the majority of expenditures made from the two revolving fund accounts were not for travel advances or

Cause and Recommendations (Cont'd)

- emergencies. They were for items that should have been procured through the County Purchasing Department, such as curtain rods, books, office supplies, appreciation certificates and trophies, newspaper subscriptions, vehicle registrations, automotive paint and body supplies, picture frames, a keyboard protector, invitations, artwork, and office decorations. In addition, numerous expenditures that were unallowable or a misuse of public funds were made from the District I and II revolving funds, including donations, parade expenses, cameras, film, film developing, food for staff, and religious ceremonies.
2. The District I Supervisor did not review the monthly reconciliation of the District's revolving fund account, as required by County policy. In addition, the Supervisor did not know which employee was responsible for reconciling the revolving fund account, or if the account was being reconciled.
 3. The District II revolving fund account was not properly reconciled to the bank statements. In December 1991, the District II Office requested that the County Finance Department reconcile the account, and County Finance Department staff noted the following deficiencies in reconciling the account.
 - a. Numerous checks from the period January 1990 through October 1991 had not been submitted to the County for reimbursement.
 - b. Four travel advances exceeded the applicable actual travel expenses; there were no records indicating these excess advances had been reimbursed.
 - c. The County had not reimbursed bank service charges for the period January 1990 through December 1991.
 - d. The District did not account for the checks it issued to ensure the checks were properly reimbursed. Consequently, nine checks were reimbursed twice; five of these checks were reimbursed by the County and a District II employee, three were reimbursed by the County twice, and one was reimbursed by the County and a vendor. The County overpaid the revolving account \$822.
 - e. The source of a portion of funds deposited into the revolving account for the period June 1990 through December 1991 could not be determined. The portion of deposits for which the source was unknown totaled \$821.
 4. Five employees in the District II Office were authorized signers on the District's revolving fund.

Cause and Recommendations (Cont'd)

5. We noted two blank checks in the District 11 revolving account check book that had already been signed by one of the two required authorized signers. In addition, another authorized signer indicated the Supervisor or the District Manager often asked him to sign a check without informing him of the purpose of the check.

The County should strengthen its policies governing the use of revolving funds to ensure that internal controls over them are adequate to provide, at a minimum, the level of control outlined in UAMAC Pages VI-C-3.8 through 3.10. This includes establishing a maximum limit for each disbursement, assigning a bonded employee as custodian, and using a revolving fund check request form to justify the purpose of the expenditure. To avoid duplicate reimbursements, a record of all checks reimbursed and supporting documentation indicating the source of each deposit should be maintained. At any given time, the supported expenditures not reimbursed plus the account balance should equal the imprest balance of \$1,500.

Our investigation revealed that unallowable expenditures were made and public funds were misused through the revolving funds. Due to the seriousness of these findings, the County should require that the Districts submit the monthly reconciliations to the County Finance Department. The Finance Department should review the reconciliation, bank statement, cancelled checks, and check register for propriety each month. In addition, the Finance Department should monitor the checks issued to ensure they are properly reimbursed.

Purchasing

We did not evaluate or test the County's internal accounting controls over purchasing; however, we did note two weaknesses during our investigation.

1. Open purchase orders were being used excessively by the District Offices and road yards. County employees were using open purchase orders to obtain items at expensive prices from local vendors. During a review of the vendor files, we noted numerous instances in which the dollar limit on open purchase orders had been exceeded. In addition, we noted many instances in which items procured through open purchase orders should have been obtained through the County's Purchasing Department. These items included supplies for the road yards, such as general supplies, vehicle maintenance services and supplies (excluding gasoline, oil, and tires), and miscellaneous expenditures. Each road yard purchased supplies and repairs through open purchase orders rather than coordinating the purchases for all road yards through the County Purchasing Department. For the two-year period ended December 1991, over \$700,000 of Highway User Revenue Fund monies was expended for road yard supplies.

Cause and Recommendations (Concl'd)

To ensure such expenditures are not in violation of required bidding procedures specified in UAMAC Page VI-F-2.1, the County should better coordinate the purchasing of District office and road yard supplies and repairs through its Purchasing Department.

2. The Supervisor did not approve the purchase orders and vouchers submitted by the District 1 Office to the County's Finance Department. Instead, a stamp of the Supervisor's signature was used to indicate authorization.

County purchasing policies require that the department head approve all purchase orders and vouchers for payment.