

**MARICOPA COUNTY, ARIZONA**  
**SPORTS AUTHORITY**  
**Report on Special Investigation**  
**For the Period August 1989**  
**Through September 1991**

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DOUGLAS R. NORTON, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

December 3, 1992

Members of the Arizona State Legislature

The Board of Supervisors of Maricopa County, Arizona

The Board of Directors of the Maricopa County Sports Authority

We have conducted a special investigation of the expenditures of the former Chairman of the Board of Directors for the Maricopa County Sports Authority for the period August 1989 through September 1991. Our investigation was performed at the request of the Maricopa County Attorney to determine if public monies had been misused or misappropriated by the Chairman during that period, and if the Authority's internal control structure and its operation relevant to expenditures of the Authority were adequate to prevent the misuse or misappropriation of public monies.

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 internal control structure of the Maricopa County Sports Authority, nor do we ensure that all matters involving the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that require correction or improvement were disclosed.

The accompanying report describes our findings and recommendations as a result of the investigation.

After this report is distributed to the members of the Arizona State Legislature, the Board of Supervisors of Maricopa County, and the Board of Directors of the Maricopa County Sports Authority, it becomes public record.

Douglas R. Norton  
Auditor General

Attachment

cc: Richard Romley, Maricopa County Attorney

## Summary

In January 1992, the Maricopa County Attorney requested that the Office of the Auditor General conduct a special investigation of certain allegations regarding the Maricopa County Sports Authority (the Authority). The allegations concerned the possible misuse and/or misappropriation of public monies by the former Chairman of the Board of Directors for the Authority.

Our investigation revealed that Lamar Whitmer, the former Chairman of the Board of Directors of the Maricopa County Sports Authority, had misused and misappropriated public monies during the period August 1989 through September 1991.

The results of our investigation are summarized in two findings which we have submitted to the Maricopa County Attorney's Office. The first finding, that public monies were misappropriated, details the findings submitted to the County Attorney for the prosecution of Mr. Whitmer. The second finding presents specific instances of misuse of public monies.

We determined that these findings resulted primarily from weak internal control structure policies and procedures over the Authority's expenditures. The weaknesses in the Authority's internal control structure policies and procedures we noted and our recommendations concerning them are presented at the conclusion of this report.



## Finding I - Misappropriations of Public Monies

A public official misappropriated public monies by means of a fraudulent scheme whereby expenditures were made without the knowledge or approval of the Board of Directors.

During the period August 1989 through September 1991, Lamar Whitmer, the former Chairman of the Board of Directors of the Maricopa County Sports Authority, misappropriated public monies totaling \$44,783. Mr. Whitmer misappropriated Authority monies by paying himself compensation and a portion of his personal tax liability; obtaining cash advances for personal use; paying personal medical, dental, and life insurance premiums; paying a personal medical bill; and purchasing a briefcase for personal use.

### **Compensation**

During the period December 1989 through July 1991, Mr. Whitmer, as voluntary Chairman of the Authority, received \$39,087 in compensation. Mr. Whitmer authorized these payments from the Authority checking account without the knowledge or approval of the Board of Directors.

### **Personal Tax Liability**

On April 12, 1991, Mr. Whitmer received \$1,572 from the Authority to pay a portion of his 1990 self-employment tax liability. The self-employment tax liability resulted from the unauthorized compensation he received from the Authority during 1990.

### **Cash Advances**

On July 3 and 17, 1991, Mr. Whitmer used the Authority credit card to obtain two cash advances totaling \$2,500 for personal use and did not repay the loans until August 15, 1991.

### **Health and Life Insurance Premiums**

As a volunteer, Mr. Whitmer was not entitled to receive employee benefits from the Authority. However, he authorized the payment from the Authority checking account of his medical, dental, and life insurance premiums for the months of May, June, and July 1991 at a total cost to the Authority of \$1,078.

### **Medical Payments**

On August 9 and September 19, 1990, Lamar Whitmer used a total of \$317 of Authority monies to pay a personal medical bill.

### **Briefcase**

On September 13, 1990, Lamar Whitmer purchased an attache case for personal use with the Authority Mastercard for \$229. The case was not returned to the Authority upon Mr. Whitmer's resignation from the Board.

## Finding II - Misuse of Public Monies

The former Chairman also made the following expenditures from Authority monies without the knowledge or approval of the Board of Directors. These expenditures were a misuse of public monies.

1. In June 1990, Lamar Whitmer used the Authority credit card to obtain a \$400 cash advance. Documents that indicated this advance was reimbursed or netted against any subsequent Authority travel expenses could not be located.
2. During October 1990, Mr. Whitmer participated in the Scottsdale Charros annual trail ride from Phoenix to Tucson. The \$765 fee charged to participate in the ride was paid for by the Authority.

Mr. Whitmer used the Authority credit card to purchase a duffel bag and other personal items that totaled \$55 for the ride and to rent a car for \$70 that his wife drove to Tucson to pick him up after the ride. Following the ride, Mr. Whitmer charged an additional \$123 to the Authority credit card for one night of lodging, room service, and in room movies. The total for these expenditures was \$248.

3. During the period August 1989 through July 1991, Mr. Whitmer either charged to the Authority credit card or received reimbursement from the Authority for more than \$6,800 of meal purchases. A large percentage of these meals were for Authority Board members and employees. Mr. Whitmer often used Authority monies to pay for meals delivered for office meetings.
4. Mr. Whitmer authorized and received mileage reimbursement totaling \$7,500 for more than 33,000 miles claimed during the period August 1989 through July 1991. Included in this amount was reimbursement for mileage for Mr. Whitmer's commute between the Authority office and his residence. The documents submitted by Mr. Whitmer did not indicate odometer readings or the purpose of the Authority business related to the mileage reimbursements.

As of March 12, 1991, Mr. Whitmer was being reimbursed for his mileage at a rate of \$.26 per mile. In January 1991, Mr. Whitmer wrote a memo to Authority employees that stated mileage was to be reimbursed at a rate of \$.22 per mile and that commuting mileage was not reimbursable.

5. In October 1989 and December 1990, Mr. Whitmer used Authority funds to pay for three parking tickets totaling \$65 that had been issued on his personal vehicle.



### Cause and Recommendations

Because of the Authority's lack of adequate internal control structure policies and procedures for disbursements and credit card usage, the former Chairman of the Authority was able to misappropriate and misuse public monies for his personal use without the knowledge or approval of the Board of Directors. The weaknesses in the Authority's internal control structure policies and procedures we noted during our investigation are described below.

1. The Board did not establish an adequate segregation of duties for disbursements and credit card usage. Our specific findings resulting from this lack of segregation are described below.
  - a. During his tenure, Mr. Whitmer controlled the checkbook, signed all checks, controlled access to the financial records, and received the bank statements.
  - b. Mr. Whitmer was an authorized user of the Authority Mastercard, received the monthly Mastercard statements, and signed the checks necessary to pay the amounts owed. The monthly statements were not reviewed by the Board of Directors.
  - c. Mr. Whitmer prepared and approved his expense reports and signed his reimbursement checks.
  - d. The Board did not review the financial transactions of the Authority. As a result, Mr. Whitmer's misuse and misappropriation of public monies was not detected during the period August 1989 through July 1991.

The Board should establish internal control structure policies and procedures that provide for the adequate segregation of the above described functions. These policies and procedures should be incorporated in the written policies adopted by the Board. At a minimum, due to the limited number of staff employed by the Authority, we recommend the following policies and procedures.

- a. An employee that is not an authorized signer for the checking account should perform the monthly bank statement reconciliation.
- b. A check request form should be completed for each check issued. A brief explanation of the purpose of the disbursement should be included on each check request form, and the appropriate supporting documentation should be attached.
- c. The computer generated financial reports should be issued and controlled by an employee that is not an authorized check signer or credit card user.

### Cause and Recommendations (Cont'd)

- d. As required by A.R.S. §11-704, the Treasurer should maintain the Authority fund. Each month, the Treasurer should review the bank reconciliation, the check request forms, the computer financial reports, and the monthly credit card statements. The Treasurer should sign each item reviewed to document his approval. The Treasurer should not be an authorized check signer or be allowed to use an Authority credit card.
  - e. On a regular basis, the Treasurer should present the appropriate financial reports and supporting documentation to the Board or the Finance Committee for their review. They should also sign each item reviewed to document their approval or their approval may be noted during a public meeting and documented in the minutes.
2. Authority rules enabled the Chairman to write checks in amounts of less than \$2,500 without obtaining the approval of a second signatory. As a result, Mr. Whitmer was able to misuse and misappropriate public monies through the Authority's checking account.

However, after Mr. Whitmer resigned, the Board lowered its limit on single signature checks to \$500.

3. The Board did not establish adequate internal control structure policies and procedures to ensure that Authority Mastercards were used only for proper Authority business. As a result, public monies were misused and misappropriated through the former Chairman's uncontrolled use of the Authority Mastercard as evidenced by the following specific findings.
- a. The Board did not have a formal policy for the use of Authority Mastercards.
  - b. Authority Mastercards could be used to obtain cash advances of up to \$5,000.
  - c. Mastercard statements were not reviewed by the Board.
  - d. Supporting documentation was not required to be reviewed by the Board. The former Chairman did not submit supporting documentation for charges totalling more than \$15,000, approximately 40 percent of the charges he made during his tenure.

The Board should immediately adopt a comprehensive policy that will effectively control the use of Authority Mastercards. This policy should include adequate controls to ensure that charges to Authority credit cards are for proper Authority business and that these charges comply with statutory and Authority requirements. The policy should require adequate supporting documentation be submitted in a timely manner for all charges, and that the credit card statements and



### Cause and Recommendations (Concl'd)

supporting documentation are reviewed monthly by the Treasurer. Also, to properly safeguard cash in this regard, the provisions of the Mastercard should be changed to ensure that cash advances are not available. In addition, the Board should evaluate the necessity of a \$5,000 limit.

Furthermore, due to the seriousness of our findings concerning the former Chairman's use of an Authority credit card, we recommend that the Board consider placing legal and payment responsibility for the credit cards with the cardholders. Cardholders would then be required to file a claim for reimbursement of all properly supported charges.

4. The Board did not establish adequate internal control structure policies and procedures to ensure that disbursements made to reimburse meals, mileage, entertainment, and travel expenses were for proper Authority business.

The Board should immediately adopt a comprehensive policy regarding the reimbursement of expenses to Board members and employees for meals, mileage, entertainment, and travel. The policy should include adequate controls to ensure that reimbursements are made only for allowable Authority expenses justified through proper supporting documentation. The policy should specifically state the circumstances under which mileage is reimbursable and the rate of reimbursement. In addition, the policy should outline the circumstances under which meals purchased for business associates of the Authority or Authority Board members and employees are reimbursable. The policies should also specify the supporting documentation required to receive reimbursement.

The Executive Director's written approval should be required for all expense reimbursements prior to payment. The Executive Director should review the expense report and supporting documentation to ensure that the request conforms with Board policies. The Treasurer should approve any expense reimbursement requests submitted by the Executive Director prior to payment.

Finally, each month, all expense reports should be reviewed by the Treasurer to ensure that the items for which reimbursement was received conform with Board policies. The Treasurer should sign each expense report reviewed to document his approval.