Gila County Transportation Excise Tax

Initial Followup of Performance Audit Report 24-104

The June 2024 Gila County Transportation Excise Tax performance audit found that the County, city, and most towns used excise tax monies we reviewed appropriately and were able to demonstrate their impact, but 2 towns (Town of Hayden and Town of Winkelman) need to improve how they use these monies. We made **3** recommendations to each town.

Town of Hayden's status in implementing 3 recommendations

Implementation status[1]	Number of recommendations
Implemented	3 recommendations

Town of Winkelman's status in implementing 3 recommendations

Implementation status[1]	Number of recommendations
In process	1 recommendation
Not implemented	**2 recommendations**

We will conduct an 18-month followup with the Town of Winkelman on the status of the recommendations that have not yet been implemented.

[1] Status is as of June 30, 2025.

Recommendations to the Towns

Finding 1: Hayden and Winkelman spent some excise tax monies inappropriately.

1. Hayden should review past and future excise tax expenditures it charged or will charge to its Fund to determine if they were for highway and street purposes. It should repay any impermissible expenditures, including the potential $498,039 of inappropriate, unsupported, and/or incorrectly recorded transactions it charged to its Fund that we identified during our review.

- Status: **Implemented at 12 months.**

  Hayden repaid the Fund $1,135 for expenditures identified in our report as inappropriate and has implemented new procedures for all future expenses. We judgmentally selected and reviewed 2 of 14 transactions Hayden charged to its Excise Tax Fund from July 1, 2024 through June 30, 2025, and found both transactions were properly reviewed and were for highway and street purposes. Management reported that the $496,904 of prior payroll costs were reasonable but lacked hard copy support, and going forward, they have initiated a new policy that requires all time charged to be supported by a signed time sheet. See recommendation 3. Further, according to management, Hayden has not performed a detailed review of past excise tax expenditures and does not plan to as the Fund has been audited yearly without other errors being identified.

2. Hayden should develop and implement policies and procedures that, at a minimum, outline step-by-step procedures, including documentation requirements, for the independent review and approval of excise tax expenditures by an individual familiar with the restrictions of excise tax monies, and train all individuals responsible for the use of excise tax monies on the new policies and procedures.

- Status: **Implemented at 12 months.**

  Hayden developed and implemented policies and procedures over excise tax expenditures and informed staff involved on the new policies and procedures.

3. Hayden should implement a mechanism, such as a time accounting system, spreadsheet, or a manual time log, to more accurately capture and document the time that staff spend on street-related activities and to more accurately allocate salaries and related expenditures to its Fund.

- Status: **Implemented at 12 months.**

  Hayden developed procedures that state all staff time to be charged to the Gila County Excise Tax Fund will have time sheets submitted with the hours worked and the project description on the time sheet, and the finance director will prepare journal entries to transfer the staff time to the Excise Tax Fund. For the period July 1, 2024 through June

30, 2025, Hayden did not charge any time to the Excise Tax Fund; however, we reviewed both journal entries and the related time sheets for fiscal year 2025 that allocated salaries and related expenditures to street projects for the Highway User Fund and found that the time sheets indicated the hours and applicable street project and were signed by the employee and supervisor.

4. Winkelman should review past and future excise tax expenditures it charged or will charge to its Streets Fund to determine if they were for highway and street purposes. It should repay any impermissible expenditures, including the potential $129,208 of inappropriate, unsupported, and/or incorrectly recorded transactions it charged to its Streets Fund that we identified during our review, and work with its attorney to determine if any monies were spent in violation of the State Constitution's gift clause and how to address these violations.

- Status: **Not implemented.**

Winkelman could not provide support that it has implemented the recommendation. We will further assess Winkelman's implementation of this recommendation during our next followup.

5. Winkelman should develop and implement policies and procedures that, at a minimum, outline step-by step procedures, including documentation requirements, for the independent review and approval of excise tax expenditures by an individual familiar with the restrictions of excise tax monies, and train all individuals responsible for the use of excise tax monies on the new policies and procedures.

- Status: **In process.**

Winkelman developed policies and procedures as of June 30, 2025. However, Winkelman could not provide support that the policies and procedures were implemented, see recommendations 4 and 6. We will further access Winkelman's implementation of this recommendation during our next followup.

6. Winkelman should implement a mechanism, such as a time accounting system, spreadsheet, or a manual time log, to more accurately capture and document the time that staff spend on street-related activities and to more accurately allocate salaries and related expenditures to its Streets Fund.

- Status: **Not implemented.**

Winkelman's new Gila County Excise Tax Expenditures policies and procedures state that all town staff time will have time sheets submitted with the hours and the project description on the time sheet. Winkelman has not provided evidence that this procedure was implemented. We will further assess Winkelman's implementation of this recommendation during our next followup.