ARIZONA Auditor General
Making a Positive Difference

Gila County Transportation Excise Tax

18-Month 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[2]	Number of recommendations
✓ Implemented	3 recommendations

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our followup work on each town's efforts to implement the recommendations from the June 2024 report.

1 The status of the Town of Hayden's recommendations is as of June 30, 2025, the date of our initial followup.

2 The status of the Town of Winkelman's recommendations is as of December 31, 2025, the date for this 18-month followup.

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.**

    As of June 30, 2025, Hayden reviewed the $498,039 in potential inappropriate expenditures identified in our report and repaid the Fund $1,135 for inappropriate expenditures it identified. Management reported that the remaining $496,904 for prior payroll costs were appropriate because these costs were for 3 to 4 public works employees who directly work on highway and street projects. We judgmentally selected 1 employee and confirmed that the employee was part of the public works department during the period their payroll costs were charged and that management's analysis was reasonable. Further, we reviewed the accumulated payroll expenditures for salaries and benefits by fiscal year for the 5 years audited and did not note any unusual payroll expenditures or transfers recorded. Hayden also implemented new policies and procedures for the review and approval of excise tax expenditures (see recommendation 2). We judgmentally selected and reviewed 2 transactions Hayden charged to its Fund from July 1, 2024 through June 30, 2025, and found both transactions were properly reviewed and supported, and were for highway and street purposes.

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.**

    As of June 30, 2025, Hayden had developed and implemented policies and procedures over excise tax expenditures and trained staff involved on the new policies and procedures. Based on a review of expenditures noted in recommendations 1 and 3, we verified these policies and procedures have been implemented, and the transactions tested were properly supported and approved, and were for highway and street purposes.

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.**

  As of June 30, 2025, Hayden had developed procedures that state all staff time to be charged to the 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 Fund. For the period July 1, 2024 through June 30, 2025, we reviewed the journal entries and related time sheets that allocated salaries and related expenditures to highway and street projects for the 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: **Implemented at 18 months.**

  Winkelman reviewed the $129,208 in potential inappropriate expenditures identified in our report and repaid the Streets Fund $6,372 for inappropriate expenditures it identified. Management reported that the remaining $122,836 for prior payroll costs was appropriate because these costs were predominantly for the public works supervisor and a portion of payroll for 3 additional public works staff who worked on highway and street projects. We confirmed that the public works supervisor was responsible for administering Winkelman's highway and street projects and that management's analysis was reasonable. Additionally, we reviewed the accumulated payroll expenditures for salaries and benefits by fiscal year for the 5 years audited and did not note any unusual payroll expenditures or transfers recorded. Winkelman also implemented new policies and procedures for the review and approval of current excise tax expenditures (see recommendation 5). We judgmentally selected and reviewed 2 of 13 excise tax transactions from July 1, 2024 through December 31, 2025, and found both transactions were properly supported and approved, and were for highway and street purposes.

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: **Implemented at 18 months.**

     Winkelman developed policies and procedures and has trained staff on the new policies and procedures. Based on a review of expenditures noted in recommendations 4 and 6, we verified these policies and procedures have been implemented and the transactions tested were properly supported and approved, and were for highway and street purposes.

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: **Implemented at 18 months.**

     Winkelman's new Gila County Excise Tax Expenditures policies and procedures include procedures for submitting time sheets. For the period July 1, 2024 through December 31, 2025, we judgmentally selected and reviewed 5 time sheets that allocated salaries and related expenditures to the Streets Fund and verified that the time sheets indicated time spent on street-related activities and were signed and approved by the public works supervisor and were appropriate for highway and street purposes.