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April 29, 2021

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Santa Cruz County Board of Supervisors

The Honorable Mark Brnovich, Arizona Attorney General

We conducted a financial investigation of certain Santa Cruz County Sheriff's Office payments of unworked overtime to employees for the period June 2013 through September 2018. 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 Santa Cruz County Sheriff's Office 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 as a result of this investigation.

Sincerely,

Lindsey A. Perry, CPA, CFE
Auditor General

Santa Cruz County Sheriff's Office Alleged Misuse of Public Monies and Solicitation of Forgery

SYNOPSIS: As part of their responsibility to prevent and detect fraud, Santa Cruz County (County) officials took appropriate action by reporting to us alleged financial misconduct at the Sheriff's Office. Our investigation revealed that from June 2013 through September 2018, the former sheriff and captain may have violated State laws related to misuse of public monies and solicitation of forgery when they illicitly authorized \$196,842 of compensation by directing 77 Sheriff's Office employees to record 7,220 hours of unworked overtime on their timesheets. We have submitted our report to the Arizona Attorney General's Office for appropriate action.

Overview

The Sheriff's Office fiscal year 2020 budget allocated \$12.8 million for expenditures to protect and serve approximately 47,000 local citizens. The former sheriff held that position from 1993 to December 2020, and the former captain was a Sheriff's Office employee from 1990 to January 2021. During fiscal year 2020, they oversaw about 80 employees and were responsible for protecting the public safety of Santa Cruz County citizens and administering the County's jail district and incarcerated population.

The former sheriff and the former captain directed 77 employees to record unworked overtime on their timesheets, resulting in unauthorized compensation totaling \$196,842

Following Sheriff's Office instructions, 77 employees recorded 7,220 hours of unworked overtime on their timesheets from June 2013 through September 2018, resulting in unauthorized compensation totaling \$196,842.¹ Although we did not request records for earlier time periods, the sheriff confirmed that his practice of providing employees additional compensation for special duties through unworked overtime began approximately 13 years earlier, in 2000. He also stated that County management had not prioritized public safety and claimed that if special duty compensation was requested, the Board of Supervisors would respond that there were no resources or budget available.

Accordingly, under the sheriff's and captain's direction, Sheriff's Office supervisors and command staff instructed employees to claim 1 hour of overtime each day they performed duties beyond their pay grade.² These special duties consisted of employees performing as a field training officer, communications training officer, lead officer, or lieutenant.

Although these 77 employees did not work the claimed overtime hours, they signed 2,002 timesheets falsely certifying "I verify that this summary and overtime claim is accurate." Likewise, supervisors signed each timesheet, falsely certifying "concurrence and verification that this overtime claim is accurate." The sheriff confirmed that every officer and every supervisor who signed a falsified timesheet did so only because of his administration's instructions.

¹ The 77 employees include sworn, detention, and dispatch officers, and an office specialist.

² In 2013 and 2014, some employees claimed 0.5 hours of overtime each day they performed duties beyond their pay grade.

The former sheriff and the former captain may have concealed the practice of paying employees for unworked overtime from County management

Although the sheriff and captain claimed certain County officials were aware of the Sheriff's Office practice of paying employees for unworked overtime, our investigation did not corroborate this assertion. In fact, 2016 and 2018 employment records revealed that the sheriff and captain may have concealed from County officials their practice of paying employees for unworked overtime by failing to include compensation amounts in certain Letters of Appointment. Specifically, even though the Board of Supervisors did not approve filling an open lieutenant position, the sheriff and captain appointed 2 sergeants, 1 in 2016 and 1 in 2018, to assume those duties and compensated them with pay for unworked overtime hours. The captain did not mention any compensation in the 2 Letters of Appointment that he issued to each employee and copied to the sheriff and respective personnel files. In contrast, in 2018 when the sheriff and captain appointed a deputy to a patrol sergeant position that was approved by the Board of Supervisors, the captain documented the compensation amount in that employee's Letter of Appointment.

Moreover, in October 2018, the County manager emailed the sheriff informing him that it had come to her attention the Sheriff's Office had been compensating employees with overtime hours not actually worked and that the practice was not approved by the Board of Supervisors, was not permissible, and should be discontinued immediately. However, the Sheriff's Office failed to comply with this directive. Rather, the day after the County manager's email, the captain emailed command staff, the office manager, and the sheriff writing, "The Sheriff is asking that we proceed as usual until he gives us other instructions." Nonetheless, the County manager halted the practice the following week, notifying impacted employees through email and signed letters.

Likewise, a former County manager told us he was unaware of the Sheriff's Office paying employees for unworked overtime. Another former County manager told us and reported in an affidavit that was provided to us that he was aware of the Sheriff's Office paying employees for on-call hours, but he did not disclose any knowledge of the Sheriff's Office paying employees for unworked overtime.

Lastly, all 3 Board of Supervisors members as of February 2019, with their combined 30 years of County service, reported to us that they either thought it was fraud or they were not aware of these overtime payments and the sheriff had never mentioned them. Board of Supervisors' meeting minutes from January 1993 through September 2018 show that the Sheriff's Office practice of paying employees for unworked overtime was never discussed.

Recommendations

Since becoming aware of the alleged misuse of public monies and solicitation of forgery in October 2018, County officials ensured that the Sheriff's Office discontinued the practice of paying employees for unworked overtime and reported that they began conducting unannounced reviews of payroll records and procedures. Additionally, subsequent to our investigation time frame, County officials took measures to allocate more resources to the Sheriff's Office. Specifically, in December 2019, the Board of Supervisors approved reclassifying 3 deputy positions to corporal and approved increasing Sheriff's Office pay scales. In January 2020, the County administratively approved a \$1 per hour pay differential for field training officer duties. However, the County can take additional actions to improve internal controls over public monies. Specifically, County officials should:

- Develop and implement training for County employees that clearly communicates only Board-approved compensation practices are allowed, and other practices, such as payments for unworked overtime hours, are not permitted. Employees attending this training should document their understanding in writing.
- Ensure departments include compensation, such as annual salaries or hourly pay rates, in all Letters of Appointment or other official promotion or transfer documentation.