

# ***Investigative Report***

## ***Arkansas Legislative Audit***

### **Review of Selected Disbursements Faulkner County Regional Solid Waste Management District**

January 1, 2022 through December 31, 2022



## **INTRODUCTION**

This report is issued as a result of Arkansas Legislative Audit (ALA) identifying questionable withdrawals and disbursements made by the Faulkner County Regional Solid Waste Management District (District) when conducting another engagement.<sup>1</sup> These disbursements include unauthorized withdrawals from the District's bank account, expenditures in violation of the public purpose doctrine, and salary and related party expenditures not authorized by the Board of Directors.

## **OBJECTIVES**

The objective of this review was to determine the propriety of disbursements identified as questionable during another engagement.

## **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period January 1, 2022 through December 31, 2022. ALA staff reviewed relevant District records, including general ledgers, receipt and disbursement journals, bank statements, invoices, Board meeting minutes, and applicable Arkansas Code. In addition, various individuals were interviewed.

## **BACKGROUND**

Authorized by Act 752 of 1991, the District was established in 2006 and serves Faulkner County and the municipalities within it. This Act also required the District to be governed by a Regional Solid Waste Management Board (Board). The Board is comprised of the Faulkner County Judge, Mayors of all cities with population over 2,000, the Mayor of Guy, the Faulkner County Road Foreman, and a representative from Conway Corporation, Inc. The District assists local governments in Faulkner County with planning and overseeing solid waste management programs, administers recycling grants, and is a party to an Inter-District Waste Tire Management Program Tire Collection and Processing Contract.<sup>2</sup>

<sup>1</sup>The results of this engagement can be found in the Special Report – Review of Selected Policies, Procedures, and Transactions – Six Solid Waste Management Districts – For the Period July 1, 2020 through December 31, 2021 (Report ID: SPRW011, 14, 17, 18, 19, 20). This report is available on ALA's website (<http://www.arklegaudit.gov>).

<sup>2</sup>The contract, which is between a waste tire contractor and five Districts, stipulates that the program be managed by the Pulaski County Regional Solid Waste District (Pulaski County District); therefore, all waste tire grant revenues allocated to the Faulkner County District are deposited directly with the Pulaski County District, which processes the expenditures.

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## **RESULTS OF REVIEW**

The stated purpose of Ark. Code Ann. § 8-6-701 is to protect the public's health and the State's environmental quality by establishing regional solid waste management planning. In addition, Ark. Code Ann. § 8-6-704(b)(2) states, in part, "The regional solid waste management boards may: employ such...employees as may be required... [and] fix and pay their compensation from funds available to the district...."

Furthermore, use of public funds should adhere to the public purpose doctrine, about which the Arkansas Supreme Court stated, "No principal of constitutional law is more fundamental or more firmly established than the rule that the State cannot, within the limits of due process, appropriate public funds to a private purpose."<sup>3</sup>

Finally, the Attorney General noted in Op. Att'y Gen. 2012-094 that "the public benefit attending any expenditure of public funds must be clear and direct, with any private benefit being merely incidental...."

Using these criteria, ALA's review of District financial records revealed unauthorized withdrawals, questionable expenditures, and unapproved salary and wage payments, as discussed below.

### **Unauthorized Withdrawals from the District's Bank Account**

Six unauthorized withdrawals totaling \$75,111 were made from the District's bank account between July 15 and July 27, 2022. District personnel discovered the unauthorized withdrawals upon review of the payroll bank account, and \$37,891 in withdrawals were either recovered from or stopped by the bank. The remaining \$37,220 was initially refunded by the bank; however, on December 28, 2022, the bank recouped those funds from the District. After a meeting that same month between the bank and District personnel, during which interest rate negotiations for the District's accounts occurred, the bank deposited prorated interest, totaling \$37,220 into three non-payroll District accounts.

As of report date, the unauthorized withdrawals are being investigated by law enforcement agencies.

### **Questionable Expenditures on Behalf of Board Members and Employees**

The District disbursed \$1,644 for the following:

- \$810 for Christmas hams for Board members and employees, as well as a gift card for an employee.
- \$559 for employee appreciation and employee farewell parties.
- \$275 for undocumented employee medical expenses.

ALA staff question whether these disbursements comply with the public purpose doctrine and the stated purpose of solid waste management districts provided in Ark. Code Ann. § 8-6-701.

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<sup>3</sup>See *Chandler v. Board of Trustees*, 236 Ark. 256, 258, 365 S.W.2d 447, 448-49 (1963).

### **Unapproved Salary and Contract Labor Payments**

ALA staff review revealed the Board did not properly approve salary and wage rates. Additionally, the Board did not approve salary and contract labor payments totaling \$17,534 made to an employee's family members and bonuses totaling \$2,400 paid to the Executive Director, Office Manager, Administrative Assistant, and Recycling Collector.

### **RECOMMENDATIONS**

ALA staff recommend the Board establish and approve salary and wage rates for all positions and approve bonuses paid to District employees. Also, ALA staff recommend the District ensure that disbursements comply with the public purpose doctrine and the stated purpose of solid waste management districts provided in Ark. Code Ann. § 8-6-701.

### **MANAGEMENT RESPONSE**

Management response is provided in its entirety in **Appendix A**.

### **SUMMARY**

ALA staff review revealed unauthorized disbursements from the District's bank account totaling \$75,111 and payments totaling \$1,644 made to or on behalf of Board Members and staff without a clear and direct public benefit. Additionally, the Board did not approve salary and wage rates, payments to an employee's family members totaling \$17,534, and bonuses totaling \$2,400.

This report has been forwarded to the Twentieth Judicial District Prosecuting Attorney and the Attorney General.

**Appendix A**  
**Management Response**



**Faulkner County Solid Waste Management District**

2705 Blaney Hill Road    Conway, AR 72030  
Phone: (501) 336-0758    Fax: (501) 336-4004  
Chairperson: Faulkner Co. Judge Allen Dodson  
Executive Director: W. Jack Bell



Arkansas Legislative Audit  
Charles B. Camp CPA  
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Dear Mr. Camp,

Please accept this correspondence as a written acknowledgment of the audit findings from Ms. DeAnna Williams for the audit year 2022. We thank you for all your work.

ALA Findings Part One

1. SPRW01921-001:        Going forward from now and in the future, the board has approved the 2023 bonuses as well as the salary rates for 2024. Any contract labor will be approved by the board in advance of events in which they will be utilized.
2. SPRW01921-002:        The district will review bank records on a regular basis. Although the district did not lose money through the unauthorized withdrawals, law enforcement is actively conducting an investigation into the illegal activity for 2022.
3. SPRW01921-005:        The district has ceased the practice of honoring employees and board members with district funds going forth.

If you have any questions or concerns, please feel free to contact our office.

Sincerely,

*Jack Bell*

W. Jack Bell, Director  
FCSWMD

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