

Special Report

Arkansas Legislative Audit

Disposition of Matters Referred to Prosecuting Attorneys and the Attorney General

For the period January 1, 2023 through December 31, 2023



INTRODUCTION

This report is issued to provide the Legislative Joint Auditing Committee (LJAC) a summary of the disposition of matters referred to the Prosecuting Attorneys of the State's 28 judicial districts as well as the Attorney General. A map of judicial districts is provided in **Exhibit I on page 5**.

BACKGROUND

Arkansas Code Requirements

Ark. Code Ann. § 10-4-419 requires the Legislative Auditor to notify the appropriate Prosecuting Attorney of transactions reflecting apparent unauthorized disbursements or unaccounted for funds or property by a public official or employee. The Legislative Auditor also notifies and cooperates with the appropriate Prosecuting Attorney on all matters that appear to involve a criminal offense. Furthermore, Ark. Code Ann. § 10-4-419 requires the Legislative Auditor to report findings related to a Prosecuting Attorney's Office to the Attorney General for review and appropriate action. Act 632 of the Regular Session of 2023, effective August 2023, amended Ark. Code Ann. § 10-4-419 to require the Legislative Auditor to refer to the Attorney General all matters referred to a Prosecuting Attorney. Ark. Code Ann. § 10-4-419, as amended, is provided in **Appendix A**.

Ark. Code Ann. § 10-4-419 also directs Prosecuting Attorneys and the Attorney General to report to the LJAC by June 30 of each year the status or disposition of any matter referred to them by the Legislative Auditor or LJAC.

Ark. Code Ann. § 21-2-708 directs the Legislative Auditor, with LJAC approval, to notify the Arkansas Governmental Bonding Board (Bond Board) of audit reports reflecting apparent improper transactions for which a public official, officer, or employee may be liable. The Bond Board determines whether a loss is covered by the Arkansas Self-Insured Fidelity Bond Program. Entities are required to meet a \$2,500 deductible per occurrence before payment is made by the Bond Board. The Fidelity Bond Program coverage limit is \$300,000 per occurrence.

Memorandum of Understanding

In response to the LJAC's request to formalize interaction relating to "white collar crime" among Arkansas Legislative Audit (ALA), Arkansas State Police, and Prosecuting Attorneys, the parties agreed to a Memorandum of Understanding, approved by the LJAC on July 14, 2006, and presented in **Appendix B**.

OBJECTIVES

The objectives of this special report are to compile responses from each Prosecuting Attorney and the Attorney General concerning all matters referred by the Legislative Auditor or LJAC and present disposition information concisely for the LJAC.

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Report Date: December 31, 2024



SCOPE AND METHODOLOGY

Disposition information submitted by Prosecuting Attorneys was compiled for the period January 1, 2023 through December 31, 2023. Matters referred to Prosecuting Attorneys *prior to* January 1, 2023, but unresolved as of October 31, 2023, are also included in this report. In addition, disposition information submitted by the Attorney General, for the period August 1, 2023 through December 31, 2023, was compiled.

Relevant Arkansas Code, state circuit court orders, and audit-related files were reviewed. In addition, payments from the Arkansas Fidelity Bond Trust Fund (Bond Trust Fund) are disclosed in this report, if applicable.

MATTERS REFERRED TO PROSECUTING ATTORNEYS

The audit reports referred to the State's Prosecuting Attorneys and the Attorney General are arranged by judicial district (see table of contents provided in **Exhibit II on page 5**). Individual matters are briefly summarized; the status or disposition provided by the applicable Prosecuting Attorney or the Attorney General and any Bond Trust Fund payments are also included. The Legislative Auditor or LJAC referred 113 matters during the period January 1, 2023 through December 31, 2023. An additional 33 matters included in this report were previously referred but not resolved prior to the previous special report date of October 31, 2023.

Case Results

A summary of the disposition of matters referred to Prosecuting Attorneys and the Attorney General is presented in **Exhibit III on pages 6 and 7**. This exhibit includes matters referred but unresolved in previous years, as well as matters referred in calendar year 2023. In addition, **Exhibit III** classifies case results in the categories defined below, as determined by ALA staff based on disposition reports provided by the Prosecuting Attorneys:

- **Conviction:** Includes guilty and no contest pleas, as well as jury verdicts, that resulted in court-ordered sentencing.
- **Pending:** Charges were filed, but the case has not been adjudicated.
- **Acquitted/Dismissed:** Charges were filed; however, the defendant was acquitted, or charges were dismissed without penalty.
- **Charges Not Filed:** Prosecuting Attorney chose to take no action. The status of each matter, contained in the body of this report, provides Prosecuting Attorneys' reasons for not filing charges.
- **Speed Trap:** Revenue from traffic offense citations exceeded 30% of a municipality's total expenditures in the preceding year.
- **Under Review:** Matter is currently being investigated by law enforcement, the appropriate Prosecuting Attorney, or the Attorney General.

Also provided in **Exhibit III** are the dollar amounts, if applicable, disclosed in audit findings of matters referred.

Court-Ordered Sentences Imposed

Criminal charges were filed in 17 matters referred to a Prosecuting Attorney. Seven cases are pending in court, and the remaining 10 cases in which a conviction was obtained and sentence imposed are listed by judicial district in **Exhibit IV on page 8**. Information provided includes the following:

- Judicial district.
- Entity audited.
- Matter referred, including year of referral, type of matter (i.e., receipts over deposits, unauthorized disbursements, or improper transactions), and dollar amount.
- Position of individual against whom charges were filed.
- Plea of defendant.
- Court-ordered sentence.

The terms of a defendant’s court-ordered sentence, also presented in **Exhibit IV on page 8**, include the following:

- Time, in months, of incarceration, probation, or suspended imposition of sentence.
- Hours of community service, where applicable.
- Fines, fees, court costs, restitution, and audit costs, where applicable.

Defendants entered guilty pleas in nine cases in which a conviction was obtained, and a jury found one defendant guilty. All of these cases were disposed of in state circuit courts.

MATTERS REFERRED TO A PROSECUTING ATTORNEY AND THE ATTORNEY GENERAL

Act 632 of the Regular Session of 2023, effective August 2023, amended Ark. Code Ann. § 10-4-419 to require the Legislative Auditor to refer to the Attorney General all matters referred to a Prosecuting Attorney. From August through December 2023, 50 matters were referred to both the Prosecuting Attorney and the Attorney General, as identified with an asterisk (*) throughout the report. With the exception of two matters located on pages 42 and 54, all other referrals were handled by the relevant Prosecuting Attorney. It should be noted that the matters investigated by the Attorney General and discussed on pages 26 and 27 were referred outside the time period in which a referral was required by state law (i.e., August through December 2023).

MATTERS REFERRED UNDER THE ARKANSAS SPEED TRAP LAW

Under the Arkansas Speed Trap Law, an audit shall include an inquiry to determine whether the affected municipality is potentially abusing police power. Two matters were referred to the 11th-West Judicial District Prosecuting Attorney and are discussed on page 48.

MATTERS DISPOSED OF BY THE ATTORNEY GENERAL REGARDING A JUDICIAL DISTRICT

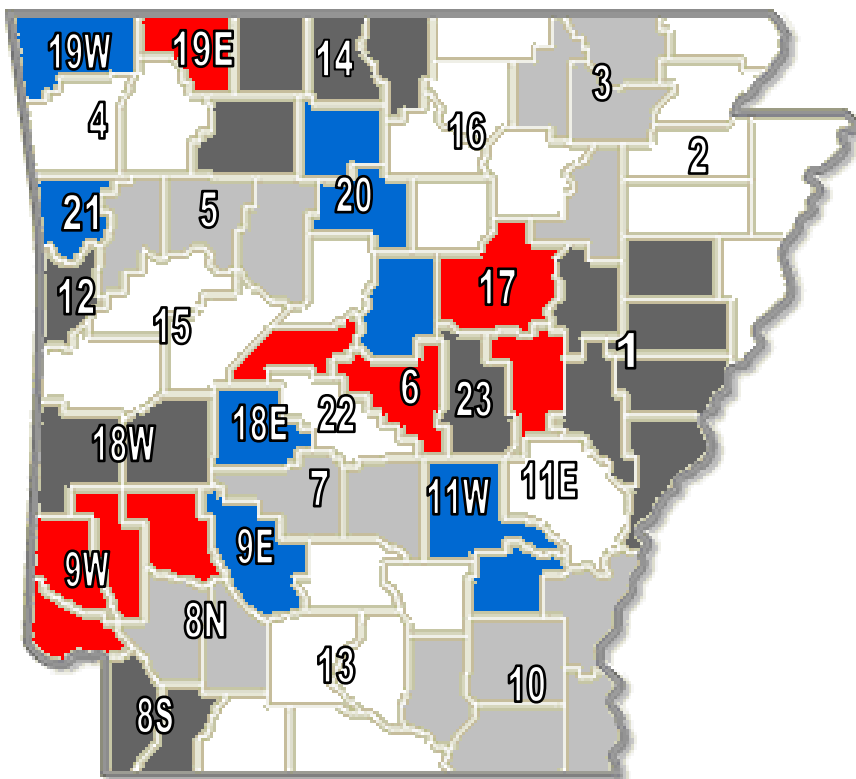
As required by Arkansas Code, the matter contained in the audit report for the 21st Judicial District was referred to the Attorney General. This matter is discussed on pages 77 and 78.

MATTERS REFERRED TO A SPECIAL APPOINTED PROSECUTING ATTORNEY

In two instances, matters initially referred by the LJAC to the appropriate Prosecuting Attorney were subsequently assigned to a Special Appointed Prosecuting Attorney, appointed by the Office of the Prosecutor Coordinator, because of conflicts of interest. The defendant entered a guilty plea in one matter in the 3rd Judicial District; this matter is included in **Exhibit III on pages 6 and 7**. For the matter in the 20th Judicial District, the Special Appointed Prosecuting Attorney found insufficient evidence to pursue criminal charges, as shown on page 76.

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Exhibit I
Arkansas Judicial Districts
Counties Comprising Each District



Source: Arkansas Judicial Directory

Exhibit II
Table of Contents

Judicial District	Page	Judicial District	Page
First	9	Twelfth	49
Second	14	Thirteenth	50
Third	21	Fourteenth	59
Fourth	22	Fifteenth	61
Fifth	24	Sixteenth	62
Sixth	26	Seventeenth	67
Seventh	33	Eighteenth - East	70
Eighth - North	34	Eighteenth - West	71
Eighth - South	35	Nineteenth - East	72
Ninth - East	37	Nineteenth - West	73
Ninth - West	38	Twentieth	75
Tenth	40	Twenty-first	77
Eleventh - East	44	Twenty-second	79
Eleventh - West	45	Twenty-third	80

Exhibit III

Summary of Disposition Reports of Matters Referred to Prosecuting Attorneys and the Attorney General For the Period January 1, 2023 through December 31, 2023							
Judicial District	Number of Matters Referred (Note 1) (a+b+c+d+e+f)	Charges Filed - Case Results			Charges Not Filed (Note 2) d	Speed Trap (Note 3) e	Under Review (Note 4) f
		Conviction a	Pending b	Acquitted/Dismissed c			
1st	15		1		14		
			\$3,021		\$62,508		
2nd	17	2			10		5
		\$5,047			50,626		\$86,469
3rd	1	1					
		0					
4th	3				3		
					220,496		
5th	4				4		
					8,874		
6th	13	1	1		9		2
		818	20,729		7,788,252 (Note 5)		49,042
7th	1				1		
					1,000		
8th N	2				1		1
					41,271		9,805
8th S	3				3		
					3,337		
9th E	0						
9th W	5	1			3		1
		3,000			7,977		1,833
10th	13	1			4		8
		9,363			12,133		245,910
11th E	1				1		
					5,020		
11th W	10	1	2		4	2	1
		667,384	37,800		100,273		3,450
12th	2				1		1
					7,250		0
13th	23		1		11		11
			182,520		56,688		100,571
14th	4				4		
					315,754		
15th	3				3		
					24,160		
16th	4		1		3		
			75,003		26,616		

Exhibit III (Continued)

Summary of Disposition Reports of Matters Referred to Prosecuting Attorneys and the Attorney General For the Period January 1, 2023 through December 31, 2023							
Judicial District	Number of Matters Referred (Note 1) (a+b+c+d+e+f)	Charges Filed - Case Results			Charges Not Filed (Note 2) d	Speed Trap (Note 3) e	Under Review (Note 4) f
		Conviction a	Pending b	Acquitted/ Dismissed c			
17th	5	1	1		3		
		\$4,434	\$80,799		\$9,231		
18th E	2				1		1
					855		\$17,995
18th W	1	1					
		102,382					
19th E	3				3		
					19,703		
19th W	3	1			2		
		64,040			86,652		
20th	5				3		2
					54,687		\$4,041
21st	2				2		
					11,620		
22nd	0						
23rd	1				1		
					1,524		
Judicial District	Number of Matters Referred (Note 1)	Conviction a	Pending b	Acquitted/ Dismissed c	Charges Not Filed (Note 2)	Speed Trap (Note 3)	Under Review (Note 4)
Totals	146	10	7	0	94	2	33
		\$856,468	\$399,872	\$0	\$8,913,667	\$0	\$522,906
		<div style="border-top: 1px solid black; width: 100%; margin-bottom: 5px;"></div> \$1,256,340					

Note 1: Includes matters referred in previous years but unresolved as of the date of the previous disposition report.
 Note 2: The status of each matter, contained in the body of this report, provides Prosecuting Attorneys' reasons for not filing charges.
 Note 3: Revenue from traffic offense citations exceeded 30% of a municipality's total expenditures in the preceding year, in noncompliance with Ark. Code Ann. § 12-8-403.
 Note 4: Matter is under review by a law enforcement agency, the appropriate Prosecuting Attorney, or the Attorney General.
 Note 5: The majority of this amount consists of 23 duplicate payments, totaling \$7,074,055, at the Arkansas Department of Transportation. According to the 6th Judicial District Prosecuting Attorney, all funds have been recovered.

Source: Prosecuting Attorneys' disposition reports

Exhibit IV

Disposition of Certain Matters Referred to Prosecuting Attorneys and the Attorney General
Court-Ordered Sentences Imposed for Matters Included in this Report
During the Period January 1, 2023 through November 15, 2024

Judicial District	Entity Audited	Matter Referred		Year	Type	Amount	Position of Responsible Individual	Plea	Incarceration (Terms of sentence in months)	Probation in months	Suspended Imposition in months	Court-Ordered Sentence				Audit Costs
		Year	Type									Other Community Service hours	Other (Note 2)	Fines, Fees, & Costs (Note 3)	Restitution (Note 4)	
2nd	Piggott School District	2023	ROD	\$ 3,087	Cheer Sponsor	Gn			36							\$ 600
2nd	Marmaduke School District	2023	ROD	1,980	Custodian	Gn			48							
3rd	City of Hoxie*	2023	IT	(Note 1)	Police Chief	Gn			24							\$ 2,161
6th	Department of Commerce	2023	IT	818	Non-Employee	Gn		36								40
9th-W	City of Glenwood	2023	IT	(Note 1)	Mayor	Gn										490
10th	City of Lake Village Water and Sewer Dept.	2022	ROD	9,363	Accounting Clerk	Gn			48							440
11th-W	City of Pine Bluff	2023	IT	667,384	Vendor	G		420								317,535
17th	City of DeValls Bluff	2023	ROD/UD	4,434	Fire Chief	Gn		60								280
18th-W	University of Arkansas Community College at Rich Mountain	2023	IT	102,382	HVAC Supervisor	Gn		24	180							3,256
19th-W	City of Centeron	2022	IT	64,040	Public Works Director	Gn		60								1,440

Note 1: A dollar amount was not included in the referral.

Note 2: Additional pertinent information:

- (a) As a condition of the plea, the defendant shall surrender his CLEST law enforcement certification.
- (b) Sentence included resignation from office and not seeking election to any other public office.
- (c) A City employee who was charged with Abuse of Office passed away prior to trial date.
- (d) Defendant was to pay restitution within 48 hours of this plea as a condition of his probation.

Note 3: These amounts do not include administrative fees, established by Ark. Code Ann. §§ 16-13-704, 16-93-104, that may be assessed with monthly restitution payments.

Note 4: These amounts include court-ordered restitution and amounts of restitution paid as part of a negotiated plea.

* This matter was disposed of by a Special Appointed Prosecuting Attorney.

✓ Indicates the Arkansas Fidelity Bond Trust Fund reimbursed losses related to this matter.

Legend

Type of Matter Referred
 ROD: Receipts over deposits
 UD: Unauthorized disbursements
 IT: Improper transactions

Plea
 G: Guilty
 Gn: Negotiated plea of guilty

Source: Prosecuting Attorneys' disposition reports and state circuit court orders



First Judicial District

Cross, Lee, Monroe, Phillips, St. Francis, and Woodruff Counties

Judicial District Population: 77,876
Circuit Judges: 5

Todd Murray
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Monroe County

*City of Holly Grove (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor and City Treasurer

The City Treasurer wrote a \$1,000 check to "Cash" and endorsed the check, without documentation to substantiate a valid business purpose, in noncompliance with Ark. Code Ann. § 14-59-105. We were unable to determine how the funds were used.

Status per Prosecuting Attorney: *The City responded with a letter dated July 24, 2023, to Legislative Audit admitting their mistake and took corrective action, further stating that this was a bad practice and that it would not happen in the future. No further action will be taken.*

Phillips County

*City of Helena-West Helena (Audit Period: 1/1/22 - 12/31/22):

2023 Advertising and Promotion (A&P) Director/City Clerk/Treasurer

The A&P Director was reimbursed \$5,918 for the following expenses without adequate supporting documentation, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1991-410:

- \$1,804 for meals.
- \$1,550 for mileage.
- \$1,116 for miscellaneous office expenses.
- \$1,001 for lodging.
- \$399 for utilities.
- \$48 for alcoholic beverages.

A similar finding was noted in the previous report.

Mayor and A&P Director

The City paid \$1,025 to an organization affiliated with a Commission member's spouse for supplies and various services, without authorizing ordinances, in apparent conflict with Ark. Code Ann. § 14-42-107. A similar finding was noted in the previous report.

Matters Referred by Legislative Joint Auditing Committee

Phillips County (Continued)

*City of Helena-West Helena (Audit Period: 1/1/22 - 12/31/22): (Continued)

Mayor

The City paid \$7,292 to a business owned by an employee for heating and cooling services, without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107. A similar finding was noted in the previous report.

Status per Prosecuting Attorney: *Mayors of the City have been consistently advised to investigate alleged violation of fiscal responsibility and management laws and to document corrective or remedial action, including additional documentation or any reimbursement of public funds by the officer or employee, per Ark. Code Ann. § 14-77-103. No additional supporting documents or information concerning measures taken by City officials has been provided.*

City of Helena-West Helena (Audit Period: 1/1/20 - 12/31/20):

2021 Mayor/City Clerk/Treasurer

During the period of January 1, 2020 through May 7, 2021, landfill receipts totaling \$6,237 were not remitted to the City Clerk's office and, therefore, not deposited in a City bank account. The Landfill Clerk, who resigned on May 20, 2021, was custodian of these undeposited funds.

Status per Prosecuting Attorney: *The PA requested an investigation. Based upon the investigative file and witness interviews concerning the missing funds, there is insufficient information to charge anyone in connection with the alleged theft of property.*

City of Marvell (Audit Period: 1/1/14 - 12/31/15):

2017 Mayor and Police Chief

The City discovered, and ALA verified, unauthorized fuel purchases charged to a city credit card. These unauthorized purchases, made during the period July 3, 2016 through August 1, 2016, consisted of 1,538 gallons of fuel costing \$3,021. The Police Chief indicated that a credit card, with the personal identification number (PIN) attached, was lost in April or May 2016 but was never cancelled, so the responsible party may not be a city employee. In addition, the Mayor indicated that surveillance cameras were not in use at the business where these unauthorized purchases were made. As a result, ALA staff were unable to determine responsibility for these charges. As soon as the Mayor became aware of the problem, the credit card was cancelled, and ALA and Arkansas State Police were notified.

Status per Prosecuting Attorney: *Subsequent to a State Police investigation, the suspect was formally charged but is a fugitive at this time. This remains an open case.*

Matters Referred by Legislative Joint Auditing Committee

Phillips County (Continued)

Phillips County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge/County Clerk

A review of County expenditures revealed the County paid \$1,208 in excess of the approved contract amount for janitorial services. A similar finding was noted in the previous two reports dating back to 2019.

Status per Prosecuting Attorney: *The County Judge sent a response to Legislative Audit addressing this finding and has stated that this issue was corrected in 2022 and that the County will be mindful of contract amounts when paying claims. No further action will be taken.*

County Judge

The County disbursed funds totaling \$9,788 to the Phillips County Ambulance Association without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 1992-099.

Status per Prosecuting Attorney: *Per the County Judge's response to Legislative Audit, the County has taken steps to update this contract. They stipulated that new rates with the mayors of the local municipalities within the County will be put in place, and a new contract with the new rates will be agreed upon by all parties. No further action will be taken.*

County Clerk

All payroll checks were issued before the corresponding two-week pay period was completed, in noncompliance with Ark. Const. art. 12, § 5. Additionally, timesheets or payroll recaps were submitted to the County Clerk's office multiple days prior to the end of the pay period.

Status per Prosecuting Attorney: *Per the County Judge, this issue was rectified as soon as it was brought to his attention. Additionally, the County implemented the use of time clocks in an attempt to rectify the issues. No further action will be taken.*

St. Francis County

City of Forrest City (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor and Clerk/Treasurer

1. Eleven unauthorized withdrawals, totaling \$62,305, were made from the City's bank account between February and March 2022. The bank discovered the unauthorized withdrawals and returned \$33,655 and \$11,500 to the City's account on March 17 and March 25, 2022, respectively. The City did not dispute these unauthorized transactions within the bank's two-day dispute period; therefore, the City was unable to recover the remaining \$17,150. Additionally, on February 16, 2023, the City paid the bank \$5,750 as settlement for unrecovered fraudulent charges incurred by the bank.

Matters Referred by Legislative Joint Auditing Committee

St. Francis County (Continued)

City of Forrest City (Audit Period: 1/1/22 - 12/31/22): (Continued)

2. Due to a bank error, on February 24, 2022, four employees were paid twice, resulting in salary overpayments totaling \$1,575. City personnel discovered the overpayments upon reconciliation of the affected bank accounts but were unable to recover funds from the bank. Additionally, the bank was unable to collect the duplicate payments due to insufficient funds in the employees' accounts. Although the City has sought reimbursement from the employees, no funds had been recovered as of April 27, 2023.

Status per Prosecuting Attorney: *The response from the City states that the City has started using Positive Pay for daily monitoring. In addition, bank reconciliations will be performed and approved monthly. The City Clerk has also spoken with the City Attorney to discuss ways to recover money.*

Clerk/Treasurer

The City paid credit card charges totaling \$6,433 with no supporting documentation or indication of a business purpose, in noncompliance with Ark. Code Ann. § 14-59-105; therefore, the validity of these disbursements could not be determined. In addition, the City paid charges totaling \$695 that had inadequate supporting documentation.

Status per Prosecuting Attorney: *No further action will be taken at this time unless additional facts arise.*

City of Forrest City (Audit Period: 1/1/20 - 12/31/20):

2023 Clerk/Treasurer

1. The City allowed two of five employees tested to take vacation leave of 75 hours and 33 hours, respectively, before the leave was earned. This arrangement appears to conflict with Ark. Const. art. 12, § 5, which prohibits cities from loaning their credit to any individual.
2. The City did not always collect retiree insurance premiums prior to the month for which the coverage was effective, in conflict with Ark. Const. art. 12, § 5. In addition, due to lack of proper record keeping, we were unable to determine if two retirees paid the full amount owed to the City for the year ending December 31, 2021.

Status per Prosecuting Attorney: *Per the City's response to Legislative Audit, the City Clerk had requested Centerpoint programs to ensure that compensated absence reports are figured correctly. The City Clerk's office will also be working on spreadsheets for compensated absences. No further action will be taken.*

Matters Referred by Legislative Joint Auditing Committee

St. Francis County (Continued)

Department of Public Safety (Audit Period: 7/1/20 - 6/30/21):

2023 As required by Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, the Agency notified Arkansas Legislative Audit (ALA) of the following theft of state property:

On September 29, 2020, a Bushmaster XM-15 rifle equipped with an Aimpoint Optic sight was stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was \$1,166.

Status per Prosecuting Attorney: An investigation did not reveal the identity of any person who stole the property, and it would appear all investigative leads have been exhausted. The PA does not intend to take any further action unless additional facts arise.

Forrest City School District (Audit Period: 7/1/21 - 6/30/22):

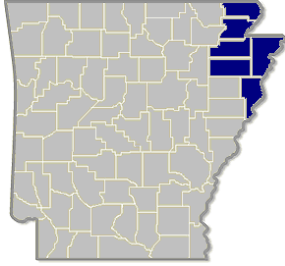
2023 During our examination of payroll records, we noted the following discrepancies:

- Contract addendums for four employees were not approved by the Board of Education:
 - \$11,276 for the Payroll Preparer.
 - \$8,171 for the District Treasurer.
 - \$6,202 and \$4,000 for two certified employees.
- Stipends paid to four employees serving in additional roles were not included in the employees' contracts:
 - \$2,500 to an Assistant Principal (Parental Involvement Facilitator).
 - \$2,500 to an Assistant Principal (Parental Involvement Facilitator).
 - \$1,555 to the District Treasurer (Sr. High Cheerleader Sponsor).
 - \$1,555 to one classified employee (Jr. High Cheerleader Sponsor).

Status per Prosecuting Attorney: The Superintendent stated that the District is going to comply with the suggestions/requests on these issues going forward, which should resolve these matters. No further action will be taken.

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Cross, Lee, and Woodruff Counties.



Second Judicial District

Clay, Craighead, Crittenden, Greene, Mississippi, and Poinsett Counties

Judicial District Population: 282,731
Circuit Judges: 12

Sonia Fonticiella
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Clay County

Piggott School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 District administration reported, and we verified, missing funds related to the Junior High cheer activity account. Our review of receipts and canceled checks retained by parents and Cashapp transactions revealed that activity funds totaling \$3,087 were not deposited into the District bank account; however, because the subsidiary receipt book utilized by the Cheer Sponsor could not be located, we were unable to determine if additional amounts were not deposited.

The Cheer Sponsor was placed on administrative leave on August 9, 2022, and subsequently resigned the same day.

Status per Prosecuting Attorney: *Crystal Hearn entered a negotiated guilty plea to felony theft of property charges; was sentenced to 36 months probation; and was ordered to pay \$3,087 in restitution, \$600 in audit costs, and \$1,190 in fines, fees, and costs.*

*Town of Success (*Audit Period: 1/1/22 - 12/31/22*):

2023 Recorder/Treasurer

The Recorder/Treasurer made personal purchases totaling \$1,690 using the City's credit card. City personnel identified these improper charges, and the Recorder/Treasurer reimbursed the City \$1,000 on September 21, 2022. Subsequently, after inquiry by ALA staff, the Recorder/Treasurer reimbursed the remaining \$690 due the City on August 8, 2023. These transactions appear to violate Ark. Const. art. 12, § 5.

Status per Prosecuting Attorney: *The PA spoke with the Mayor and concluded that the City has been made whole. The PA declines to prosecute any criminal offense. This matter is closed.*

Craighead County

Buffalo Island School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 The District paid \$13,148 for supplies to a company in which two employees had financial interests without obtaining approval from the Arkansas Division of Elementary and Secondary Education, as required by Ark. Code Ann. § 6-24-107.

Status per Prosecuting Attorney: *The PA sent the Superintendent a letter of caution and declines to prosecute for any criminal offense. No further action will be taken.*

Matters Referred by Legislative Joint Auditing Committee

Crittenden County

Marion School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 A review of Activity Fund revenue revealed a total of \$2,954 in student fees was collected but not deposited. Of these undeposited funds, \$1,638 was used for cash purchases of meals and beverages. Due to revenue not being properly receipted, we were unable to determine if all revenue collected was accounted for.

Status per Prosecuting Attorney: *The PA sent the Superintendent a letter of caution and declines to prosecute for any criminal offense. No further action will be taken.*

Town of Gilmore (*Audit Period: 1/1/21 - 12/31/21*):

2023 Recorder/Treasurer

The Recorder/Treasurer (Payroll Preparer) received salary payments and reimbursements of \$5,958 without adequate supporting documentation, in noncompliance with Ark. Code Ann. § 14-59-105; therefore, we were unable to determine the propriety of these payments.

Status per Prosecuting Attorney: *The PA sent the Mayor a letter of caution and declines to prosecute for any criminal offense. No further action will be taken.*

*Town of Sunset (*Audit Period: 1/1/22 - 12/31/22*):

2023 Mayor

On November 17, 2021, a town employee used personal credit to enter into an installment contract for \$43,929 to purchase a 2019 Ford truck. The Town paid the installments from December 2021 through October 2022, in conflict with Ark. Const. art. 12, § 5. The Town subsequently entered into a loan agreement on November 1, 2022, that named the Town as the owner of the vehicle, at which time the balance owed on the original agreement was \$38,603. The Town financed \$33,400 and paid a down payment of \$9,858, which included a processing fee of \$150. As a result, the net amount paid for the vehicle totaled \$43,108, which is \$4,505 more than the balance owed for the vehicle when the Town entered into the loan agreement. The Town is unable to provide documentation justifying this difference.

Status per Prosecuting Attorney: *Under review.*

Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

Town of Sunset (Audit Period: 1/1/15 - 12/31/16):

2018 Mayor

The Town paid \$11,080 and \$19,942 on the Mayor's personal credit card accounts in 2016 and 2015, respectively, in noncompliance with Ark. Const. art. 12, § 5. The Mayor identified personal credit card transactions totaling \$6,070 and \$9,439 in 2016 and 2015, respectively, as Town expenditures. Based on review of \$4,456 (2016) and \$4,440 (2015) of those transactions, ALA staff determined that \$2,735 (61%) and \$3,141 (71%), respectively, lacked documentation to substantiate them as Town expenditures. Additionally, the Mayor withdrew \$1,200 from the Town's bank account in 2015 using a counter check.

To justify these credit card payments and the cash withdrawal, the Mayor submitted the items shown below for which he claimed to have paid from personal funds:

- Timesheets for \$7,610 in contract labor performed by various individuals. ALA staff verified payments to these individuals were not made from the Town's bank accounts, and two individuals confirmed they received cash payments from the Mayor. However, the Town issued IRS 1099 Forms to these individuals.
- Timesheets for \$6,930 in work the Mayor performed for the Town; however, the Town did not have an ordinance allowing the Mayor to provide additional services, in conflict with Ark. Code Ann. § 14-42-107. ALA staff verified payments to the Mayor for the timesheets submitted were not made from the Town's bank accounts.
- Invoices for Town business totaling \$1,973 and purchase of a mower for \$5,000. ALA staff verified payments to vendors were not made from the Town's bank accounts.
- One \$400 invoice for Town parking lot repairs. ALA staff verified this payment was not made from the Town's bank accounts.

Status per Prosecuting Attorney: This matter is under investigation by the Crittenden County Sheriff's Office.

Greene County

Marmaduke School District (Audit Period: 7/1/21 - 6/30/22):

2023 The District discovered activity funds and daycare tuition totaling \$1,180 and \$780, respectively, were stolen from various classrooms beginning in January 2022. On May 2, 2022, the District's Student Resource Officer interviewed evening custodian, Sherry Page, who admitted to taking \$140 in cash from the classrooms. Subsequently, Page was charged with theft of property and criminal mischief, and a trial is scheduled for February 2023.

Status per Prosecuting Attorney: Page entered a negotiated plea of guilty, was sentenced to 48 months probation, and was ordered to pay \$2,161 in restitution and \$190 in fees and costs.

Matters Referred by Legislative Joint Auditing Committee

Greene County (Continued)

*Town of Delaplaine (Audit Period: 1/1/22 - 12/31/22):

2023 Recorder/Treasurer

The Recorder/Treasurer, who served as Payroll Preparer, received a salary overpayment of \$500.

Status per Prosecuting Attorney: The PA sent the Mayor a letter of caution and declines to prosecute for any criminal offense. No further action will be taken.

Town of Delaplaine (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor and Recorder/Treasurer

The Town paid the Mayor \$1,812 and \$141 for additional labor and bonus pay, respectively, without supporting documentation or Council approval. In addition, these amounts were not reported to the Internal Revenue Service.

Status per Prosecuting Attorney: The PA sent the Mayor a letter of caution and declines to prosecute for any criminal offense. No further action will be taken.

Mississippi County

*City of Gosnell (Audit Period: 1/1/19 - 12/31/19): **[Private audit]**

2023 The City did not maintain adequate supporting documentation for purchases made with its credit cards. The City failed to maintain original receipts or invoices for such purchases. The only available documentation of the purchases were the monthly credit card statements and the bookkeeping entries associated therewith. As a result, the public purpose of the purchases could not be confirmed.

A table, based on the City's General ledger, summarizing the expenditures associated with the various cards is as follows:

	General Fund	Street Fund	Sewer Fund	Total
Walmart	\$ 13,654.47	\$ 5,234.57	\$ 976.02	\$ 19,865.06
Tractor Supply	1,066.31	3,383.90	1,127.91	5,578.12
NEAFCU Visa	14,041.18	7,937.63	2,338.15	24,316.96
Lowe's	5,059.21	6,490.65	5,420.56	16,970.42
Dollar General	1,730.86		425.63	2,156.49
WEX Card	7,002.32			7,002.32
TOTAL	\$ 42,554.35	\$ 23,046.75	\$ 10,288.27	\$ 75,889.37

For the WEX card in particular, upon information and belief, the City allowed employees to use the card for the purchase of, among other things, gasoline for privately owned vehicles. Due to a lack of documentation, the total amount used for privately owned vehicles could not be determined.

Matters Referred by Legislative Joint Auditing Committee

Mississippi County (Continued)

City of Gosnell (Audit Period: 1/1/19 - 12/31/19): **[Private audit]** (Continued)

Status per Prosecuting Attorney: On March 17, 2020, an employee for the City of Gosnell issued a letter stating that she had used the City's Wal-Mart and WEX credit cards for personal use. She admitted to utilizing the same between January 1, 2018 and December 31, 2018. Due to lack of supporting documentation, an allocation between her personal use and public use could not be determined. She resigned on March 19, 2020, and a total of \$2,871 in restitution was made to the City.

*City of Joiner (Audit Period: 1/1/22 - 12/31/22):

2023 Recorder/Treasurer

The City paid one employee a total of \$1,086 due to undocumented overtime hours, a salary increase without authorized documentation, overpaid vacation time, and clerical errors. In addition, the employee's leave request record was not always reflected on the timesheet.

Status per Prosecuting Attorney: Under review.

City of Manila (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor and Treasurer

The City issued two checks, dated July 15 and July 22, 2022, totaling \$1,682 to the spouse of an employee who passed away on July 4, 2022. On July 26, 2022, Council meeting minutes noted the approval of "an amount equal to two week's salary be paid...after his death." We were unable to determine if the amounts paid were owed to the employee due to lack of proper record keeping by the City.

Status per Prosecuting Attorney: The PA spoke with the City Attorney and concluded that the City has not engaged in any nefarious activity. The PA declines to prosecute any criminal offense. This matter is closed.

Matters Referred by Legislative Joint Auditing Committee

Poinsett County

City of Fisher (*Audit Period: 1/1/14 - 12/31/15*):

2017 Mayor, Recorder/Treasurer, and Bookkeeper

\$3,991, \$830, and \$181 paid to a fuel vendor without a documented business purpose in 2014, in 2015, and from January through July 2016, respectively, in noncompliance with Ark. Code Ann. §§ 14-58-303 and 14-59-105. Sundry items totaling \$177 were included in these payments. According to the Mayor, fuel purchases were for both city and personal vehicles; however, the amount of fuel purchased for city vehicles could not be determined due to inadequate city records. A similar finding was noted in the prior report.

Mayor and Recorder/Treasurer

\$13,858, \$4,591, and \$2,330 paid to the Mayor in 2014, in 2015, and from January through July 2016, respectively, and \$502 paid to the Recorder/Treasurer in 2014 without adequate documentation, as required by Ark. Code Ann. § 14-59-105. A similar finding was noted in the prior report.

Mayor and Bookkeeper

\$800 and \$1,500 paid for repair services in 2015 and 2016, respectively, to a company owned by a Council Member, who had volunteered to serve as Bookkeeper through June 2, 2016, without an authorizing ordinance, as required by Ark. Code Ann. § 14-42-107. Furthermore, documentation to support these payments was not on file at the City until ALA requested it from this Council Member/Bookkeeper, who provided three invoices, on September 22, 2016.

These invoices appeared invalid because of the following irregularities:

- \$400 paid in 2015 was for a \$388 invoice, including sales tax at a rate of 8%.
- \$400 paid in 2015 was for a \$422 invoice, including sales tax at a rate of 8.25%.
- \$1,500 paid in 2016 was dated April 26, 2015; was marked "paid" on that date; and did not include an amount for sales tax.

Additionally, these three invoices reflected the payment amount and a zero balance due, and in one instance, the payment method indicated "visa" rather than "check."

In addition, the Council Member/Bookkeeper reimbursed her company \$1,020 and \$2,700 in 2015 and 2016, respectively, for office supplies, a computer, and software. Of this \$3,720, only \$788 was supported by documentation, leaving \$2,932 due the City. On April 18, 2016, the Council Member/Bookkeeper also issued a \$4,000 city check payable to a vendor to which the City did not owe payment; the vendor applied this amount to the Council Member/Bookkeeper's company account. During an interview on September 22, 2016, the Council Member/Bookkeeper assumed responsibility for the \$2,932 in undocumented reimbursements to her company and reimbursed the City \$4,000 for the improper vendor payment.

As of report date, the Council Member/Bookkeeper's company received improperly documented payments totaling \$5,232.

Matters Referred by Legislative Joint Auditing Committee

Poinsett County (Continued)

City of Fisher (Audit Period: 1/1/14 - 12/31/15): (Continued)

Status per Prosecuting Attorney: *The former Mayor is deceased. The former Council member who served as Bookkeeper moved out of state when the PA requested an Arkansas State Police investigation. A special agent for the State Police obtained an arrest warrant for the former Council member who served as Bookkeeper. She has not returned to the State, and an arrest has not been made. This matter will be prosecuted in due course once an arrest has been made.*

*City of Tyrone (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor

On April 21, 2022, the Council agreed to pay for repairs to a house rented by the Police Chief but not owned by the City. In turn, the landlord agreed to allow the Police Chief to make rental payments to the City. During 2022, the City paid \$2,071 for repairs to the house, and the Chief paid \$611 to the City for rental payments, in apparent conflict with Ark. Const. art. 12, § 5. According to City officials, the landlord agreed to reimburse the City for any reasonable repairs; however, as of July 12, 2023, the City had received no reimbursements.

Status per Prosecuting Attorney: *The PA discussed this matter with the Mayor and was assured all the money was repaid to the City. The PA declined to prosecute for any criminal offense.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Third Judicial District

Jackson, Lawrence, Randolph, and Sharp Counties

Judicial District Population: 69,590
Circuit Judges: 3

Devon Holder
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Lawrence County

City of Hoxie (*Audit Period: 1/1/21 - 12/31/21*):

2023 Police Chief

It came to our attention that the Police Chief pawned a City-owned firearm. According to law enforcement records, a city official used personal funds to retrieve the firearm from the pawn shop, and the firearm was returned to the City. Police Chief Glen Smith, who retired on September 13, 2022, has been charged with theft of property; this case is pending.

Status per Special Prosecuting Attorney: *Smith entered a negotiated plea of guilty; was sentenced to 24 months probation; and was ordered to pay fines, fees, and costs totaling \$1,190. As a condition of the plea, Smith shall surrender his CLEST law enforcement certification.*

Note: No matters were referred for Jackson, Randolph, and Sharp Counties.



Fourth Judicial District

Madison and Washington Counties

Judicial District Population: 267,017
Circuit Judges: 8

Matt Durrett
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Washington County

Department of Finance and Administration (*Audit Period: 7/1/20 - 6/30/21*):

2023 The Department of Finance and Administration (DFA) notified us of the following shortage:

At the Springdale Revenue Office, deposits of \$200, \$400, and \$500 were missing during May, July, and August 2021, respectively. DFA's investigations were inconclusive due to a lack of security camera footage and witnesses to any potential theft. The Revenue Office continues to be monitored by DFA management.

Status per Prosecuting Attorney: *There is insufficient evidence to support a charge against any particular individual. Therefore, no charge was filed, and the PA considers this matter closed.*

Department of Finance and Administration (*Audit Period: 7/1/19 - 6/30/20*):

2021 On five separate occasions, a Springdale Revenue Office employee circumvented controls surrounding deposits of daily collections. The employee entered the daily collections, which were composed of both cash and checks, in the AIRS-DSMV system but did not deposit the funds in their entirety, causing the bank account to be in overdraft status on these five days. The total amounts retained by the employee ranged from \$4,022 to \$11,134. Based on review of monthly bank statements, all funds the employee withheld were deposited the day after collection, resulting in no loss to the State. When interviewed by DFA, the employee acknowledged retaining portions of collections for the days in question and resigned from employment.

Status per Prosecuting Attorney: *There is insufficient evidence to prove a criminal offense. Therefore, this matter is closed.*

Matters Referred by Legislative Joint Auditing Committee

Washington County (Continued)

University of Arkansas, Fayetteville (Audit Period: 7/1/21 - 6/30/22):

2022 The University of Arkansas System Internal Audit Department (IAD) reviewed Workday Payroll business processes and internal controls to verify accuracy of selected financial information at the University of Arkansas, Fayetteville. A review of the Termination Details report identified 2,701 employment terminations in fiscal year 2021, including four terminated employees who received unearned payroll payments totaling \$14,190. In addition, IAD reviewed Account Receivable ledgers for salary overpayment invoices in BASIS, which was used prior to fiscal year 2021. This review revealed 88 terminated employees received overpayments totaling \$85,167 prior to fiscal year 2021. Furthermore, IAD identified 46 terminated employees in Workday who were overpaid \$93,226 in fiscal year 2021 and 9 employees who were overpaid \$15,679 in fiscal year 2022. After subsequent collections of \$49,323, the remaining loss totals \$144,749.

Status per Prosecuting Attorney: *There is insufficient evidence to support a charge against any particular individual or individuals. This matter is closed.*

Note: No matters were referred for Madison County.



Fifth Judicial District

Franklin, Johnson, and Pope Counties

Judicial District Population: 106,807
Circuit Judges: 4

Jeff Phillips
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Johnson County

Clarksville School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 It came to our attention that on October 11, 2021, the School District initiated two payroll direct deposits totaling \$6,314 to a fraudulent checking account after receiving an email request to change two employees' direct deposit information. The funds were sent to the fraudulent account on October 11, 2021, and School District personnel later discovered the email was falsified. The School District notified law enforcement, and its banking institution but was unable to recover the funds.

Status per Prosecuting Attorney: *It appears this was internet fraud that originated in Nigeria. The PA will take no further action unless additional information is developed that could assist in prosecution.*

Lamar School District (*Audit Period: 7/1/20 - 6/30/21*):

2022 District personnel discovered that an activity sponsor cashed three checks totaling \$1,000 that should have been deposited into the District's bank account. Once this matter was brought to the sponsor's attention, funds were repaid to the District. Further investigation revealed that employees did not always issue subsidiary receipts when collecting money on behalf of the District. Due to lack of receipt books, we were unable to determine if all funds collected by the sponsor were accounted for.

Status per Prosecuting Attorney: *The money has been repaid to the District, and the State is not seeking prosecution.*

*Spadra-Goose Camp Water Users' Association (*Audit Period: 1/1/22 - 12/31/22*):

[Private audit]

2023 Daily receipt from 12/13/2022 was processed but part of the deposit for \$1,060 which was cash and money orders was not deposited into the bank in December 2022. After asking for more information regarding this discrepancy, we have been informed that it was deposited on November 6, 2023.

Status per Prosecuting Attorney: *Legislative Audit was asked to perform additional procedures and identified no additional problems with disbursements. The Association is not seeking prosecution of the Bookkeeper, who remains employed by the Association and is being allowed to continue to repay \$1,930. The PA issued a letter encouraging the Association to adopt the internal measures identified in the audit reports.*

Matters Referred by Legislative Joint Auditing Committee

Johnson County (Continued)

Spadra-Goose Camp Water Users' Association (Audit Period: 1/1/20 - 12/31/20):

[Private audit]

2022 Two disbursements to an employee were not adequately documented as explained below:

- An Employee use a company credit card for a personal expense; this charge was posted to Employee Receivable and has not been repaid.
- A check was made out to an employee for \$500 to pay a vendor that was subsequently not hired.

Status per Prosecuting Attorney: Legislative Audit was asked to perform additional procedures and identified no additional problems with disbursements. The Association is not seeking prosecution of the Bookkeeper, who remains employed by the Association and is being allowed to continue to repay \$1,930. The PA issued a letter encouraging the Association to adopt the internal measures identified in the audit reports.

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Franklin and Pope Counties.



Sixth Judicial District

Perry and Pulaski Counties

Judicial District Population: 407,785
Circuit Judges: 17

Will Jones
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Pulaski County

Arkansas Department of Transportation (*Audit Period: 7/1/20 - 6/30/21*):

2023 The Agency failed to notify Arkansas Legislative Audit (ALA), as required by Ark. Code Ann. § 5-1-124, of the apparent unauthorized disbursement, theft, or misappropriation of public funds as follows:

- Twenty-three duplicate payments totaling \$7,074,055 were made during the fiscal year, with \$568,004 unrecovered as of the end of field work.
- An individual was suspected of not recording leave time while performing duties related to a personal business.

Status per Prosecuting Attorney: *All funds have been recovered. The agency was unable to verify if the employee was actually stealing time. The employee retired, and the agency did not pursue further.*

City of Alexander (*Audit Period: 1/1/21 - 12/31/21*):

2023 Mayor

During the period January 1, 2021 through August 25, 2022, the Bookkeeper received salary overpayments totaling \$20,088 and undocumented mileage reimbursements totaling \$641.

In addition, review of payroll records for the Bookkeeper, who was responsible for preparing disbursements and maintaining payroll records, revealed the following:

- Wages received in 2021 (\$74,913) exceeded budget (\$40,040) by \$34,873.
- The Bookkeeper reported working an excessive number of hours on her timesheets:
 - 1,602 overtime hours, including as much as 18 hours in a single day and as much as 181 hours during a two-week pay period.
 - 945 weekend hours, including as much as 16 hours in a single weekend day and as much as 30 hours during a two-day weekend.

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

City of Alexander (Audit Period: 1/1/21 - 12/31/21): (Continued)

- The Bookkeeper reported working hours while out of the office:
 - 115 hours on eight weekdays while, according to time clock cards, the Bookkeeper was on sick leave.
 - 29 hours for attending a three-day conference for which, according to conference officials, the Bookkeeper was not registered and there was no evidence she attended.
 - Hours reportedly worked while the Bookkeeper was traveling on three vacations, according to social media posts.
- “Time In” and “Time Out” reflected on timesheets did not always agree with stamped time clock cards.
- Timesheets were not always signed by the Bookkeeper or approved by her supervisor.
- As of August 20, 2022, the Bookkeeper had negative sick (-3) and vacation (-26) leave balances. In addition, 51 sick leave hours and 160 vacation leave hours used during the review period were not deducted from her leave balances.

The Bookkeeper’s employment was terminated on October 11, 2022.

Status per Prosecuting Attorney: *This matter was referred to the Attorney General’s office for investigation. As a result of this investigation, Melissa Anthony was charged with Theft of Property, and a trial date is pending.*

*Department of Commerce (Audit Period: 7/1/20 - 6/30/21):

2023 R1-19-4-2004 of the DFA Office of Accounting Financial Management Guide states that “the bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters for each state agency, board, commission or institution is responsible for...reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Arkansas Legislative Audit. Losses include...the apparent theft or misappropriation of state funds or property theft.” The Public Employee Claims Division (PECD) of the Arkansas Insurance Department notified us of the loss of one warrant totaling \$818 that was improperly redeemed by an individual other than the intended claimant. While investigating a report from a claimant for a bi-weekly payment that had not been received by a claimant, PECD staff discovered that the original warrant had been deposited at First National Bank by another individual (i.e., not the claimant).

The Agency initiated a criminal investigation with Department of Public Safety – Division of Arkansas State Police. Subsequent to that investigation, the prosecutor requested that a warrant be issued for the individual for forgery in the first degree.

Status per Prosecuting Attorney: *John Douglas Martin was charged with felony forgery, entered a negotiated plea of guilty, was sentenced to 36 months in the Department of Correction, and was ordered to pay \$40 in fees.*

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

Department of Commerce (Audit Period: 7/1/19 - 6/30/20):

2021 Section R1-19-4-2004 of the DFA – Office of Accounting Financial Management Guide states that “the bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters for each state agency, board, commission or institution is responsible for...reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Arkansas Legislative Audit. Losses include...the apparent theft or misappropriation of state funds or property theft.” Arkansas Rehabilitation Services – Division of Workforce Services (ARS-DWS) notified ALA of six warrants, totaling \$23,500, that were paid to a vendor in June and July 2020 for services that were not provided. A review performed by ARS-DWS management revealed a relationship between the vendor and an Agency employee who potentially falsified documentation on behalf of the vendor. Subsequent to being contacted by the Agency on July 31, 2020, the vendor returned one warrant totaling \$2,000 that had not been cashed. The Agency is actively seeking repayment of the remaining \$21,500.

The employee was terminated, the vendor was deactivated from ARS-DWS’s case-management system, and the Agency has initiated a criminal investigation with the Department of Public Safety – Division of Arkansas State Police.

Status per Prosecuting Attorney: *The violations occurred in Miller County. The file was submitted to the Miller County Prosecutor who declined to prosecute.*

*Department of Human Services (Audit Period: 7/1/21 - 6/30/22):

2023 The Agency notified ALA and authorities of the following improper activity:

- \$10,687 in Patients Money Funds (\$9,252 in cash and \$1,435 in checks and money orders) was initially received by the Arkansas State Hospital (ASH) and subsequently delivered to and receipted by the Agency’s Central Receipting Office for bank deposit from September 29, 2022 through January 27, 2023. However, as confirmed by an internal investigation, none of these monies were deposited into the bank. The employee responsible for the funds not deposited voluntarily terminated employment with the Agency effective February 11, 2023. The Agency reported the missing funds to law enforcement, and as of report date, the funds have not been recovered.
- A total of \$27,409 was paid to three ASH employees for 1,528 hours not actually worked, as shown below:

	Amount Paid	Hours Clocked-In	Date
Employee 1	\$ 24,012	1,455	July 11, 2021 through September 28, 2022
Employee 2	1,953	42	October 2, 2022 through October 26, 2022
Employee 3	1,444	31	October 2, 2022 through October 26, 2022
	\$ 27,409	1,528	

The employment of all three individuals was terminated by the Agency. The improper payments have not been recovered.

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

Department of Human Services (Audit Period: 7/1/21 - 6/30/22):

Status per Prosecuting Attorney: *The file was submitted to the PA for review.*

Department of Human Services (Audit Period: 7/1/19 - 6/30/20):

2021 R1-19-4-2004 of the State Financial Management Guide states that monies lost through improper redemption of checks shall be reported to Arkansas Legislative Audit (ALA), the Attorney General's office, and local law enforcement. Ark. Code Ann. § 25-1-124(b)(1)&(2) states that a public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to ALA the apparent theft or misappropriation of public funds within five business days upon the learning of the theft.

The Agency properly notified ALA and authorities of the following occurrences related to fraudulent activity:

A Supplemental Nutrition Assistance Program (SNAP) recipient sent in eight personal checks totaling \$10,946 as reimbursement to the Agency for an overpayment of excess SNAP monies received. The eight checks were deposited in the Agency's central office US Bank General Account on June 9, 2020. The Agency later determined the recipient had reimbursed \$4,433 too much and issued the recipient a refund check on June 10, 2020, from the US Bank General Account. Subsequently, on June 11, 2020, all of the eight personal checks totaling \$10,946 were returned by the bank due to insufficient funds.

The refund check for \$4,433 was cashed, clearing the bank on July 10, 2020. The Agency filed a police report, and as of report date, the funds had not been recovered.

Status per Prosecuting Attorney: *Investigation is pending.*

Department of Public Safety (Audit Period: 7/1/20 - 6/30/21):

2023 As required by Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, the Agency notified Arkansas Legislative Audit (ALA) of the following theft of state property:

On April 18, 2022, the Agency discovered that catalytic converters were missing from two Arkansas Crime Information Center (ACIC) vehicles parked in ACIC parking. Incident and police reports were filed. The cost to repair vehicles was \$521.

Status per Prosecuting Attorney: *Reports from the Little Rock Police Department indicate that no suspects were ever developed. Therefore, there is no action the PA can take in relation to this matter.*

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

Little Rock School District (*Audit Period: 7/1/21 - 6/30/22*):

- 2023 An employee was overpaid \$15,721 by the District on September 3, 2021. This individual, who was hired as a custodian, worked only 7 of the 179 days she was contracted to work. Upon her resignation, the District failed to change her employment status in the payroll system and, in error, issued a final check equal to the amount remaining on her contract. The District notified the individual of the overpayment but, as of March 8, 2023, had not recovered the funds.

Status per Prosecuting Attorney: A file was submitted to the PA, and it was determined that intent for theft of property could not be proven.

Pulaski County Inter-District Used Tire Program (*Audit Period: 7/1/21 - 6/30/22*):

- 2023 The PID Program did not properly complete TAP quarterly progress reports, as discussed below:

- Revenues reported were based on tires processed per report, not amounts actually received from DEQ.
- The PID Program plugged an amount into an expense line item titled "Maintenance and Repair (Capital Fund)" to make revenues and expenses agree on the TAP reports. As a result of this improper completion of TAP reports, the PID Program transferred \$357,032 of excess Used Tire Recycling Funds to the capital maintenance fund for the period September 20, 2021 to August 31, 2022. These excess funds should have been available in the waste tire account to operate the PID Program.

According to a contract between the PID Program and the Vendor, the Vendor is responsible for the repair and maintenance of PID Program-owned equipment located at the Vendor's facility and used by the Vendor. However, the PID Program reimbursed the Vendor for \$211,226 (\$181,084 for the fiscal year ended June 30, 2022, and \$32,142 for the two-month period ended August 31, 2022) in maintenance and repair expenses for both PID Program-owned equipment as well as equipment owned by the Vendor, in conflict with Ark. Const. art. 12, § 5.

The PID Program entered into agreements with the Vendor, a privately owned business, that appear to conflict with Ark. Const. art. 12, § 5:

- The Program's business plan notes equipment items located at the Vendor's facilities that were purchased entirely or partially with Program funds, including four tire shredders, a forklift, a magnetic separator, a screener, and an infeed system with conveyors. The original cost of the equipment totaled \$1,298,791, of which \$1,110,235 (85%) was paid from Program funds. According to a contract between certain Programs and the Vendor, the Vendor is allowed to process tires not collected through TAP with the Program's equipment, sell the tire-derived aggregate, and keep the proceeds.

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

Pulaski County Inter-District Used Tire Program (*Audit Period: 7/1/21 - 6/30/22*): (Continued)

- The Program transferred use of 46 trailers to the Vendor to haul waste tires. The Program's business plan stipulates that the Vendor will be responsible for repair and maintenance of the trailers; however, it appears that the Program is reimbursing the Vendor for at least a portion of these expenditures from the Program's capital maintenance fund.

Waste tire funds were used to pay \$700 in charitable contributions to two nonprofit entities, in conflict with Ark. Const. art. 12, § 5. This amount represented 20% of the PID Program's total contributions to the nonprofit entities.

Status per Prosecuting Attorney: *No criminal violations alleged.*

*Pulaski County Regional Solid Waste Management District (*Audit Period: 12/1/16 - 6/30/22*):

- 2023 ALA staff review indicated the District made questionable payments, totaling \$355,597, to an individual (Contractor) providing services to the District, as well as a company owned by this Contractor, without obtaining bids or executing contracts, as required by Arkansas Code. Also, it appears the Contractor's company was overpaid \$2,880 for duplicate services. The District Director was improperly reimbursed \$700 for expenses without a clear and direct public benefit. In addition, the District made contributions/donations totaling \$63,645 to charities and other organizations, including a nonprofit entity established and managed by the District's Director and for which the Contractor is an officer. Lastly, the District purchased two paintings costing \$15,046 that were subsequently donated to the Little Rock Convention and Visitors Bureau. ALA staff question whether this purchase and subsequent donation meet the purpose of regional solid waste management districts provided in Ark. Code Ann. § 8-6-701.

Status per Prosecuting Attorney: *Questionable purchases but no allegation of criminal violations.*

Pulaski County Regional Solid Waste Management District (*Audit Period: 7/1/20 - 6/30/21*):
[Private audit]

- 2022 During the year ended June 30, 2021 the District made two payments in the aggregate of \$17,000 to Recycling Research Resources, Inc., a nonprofit organization with which it shares common management. Although the payments were authorized, no documentation was available in support of these payments. Additionally, the disbursements were charged to Promotions & Advertising, although the check stubs listed them as "Foundation Contribution" and "Donation."

Status per Prosecuting Attorney: *No criminal violations alleged.*

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

*University of Arkansas for Medical Sciences (Audit Period: 7/1/22 - 6/30/23):

2023 The University of Arkansas System Internal Audit Department (IAD) conducted an audit of the University of Medical Sciences (UAMS) Nutritional Services for the period July 1, 2020, through February 11, 2022. IAD was alerted by UAMS of a potential loss of assets by the Executive Director of Nutritional Services. An internal review by UAMS revealed the Executive Director appeared to have taken food from UAMS campus without payment. IAD review determined that the Executive Director had accepted gifts and \$2,000 in gift cards, donated from vendors for an employee Christmas party, without UAMS management approval, and in violation of UAMS Gift Acceptance Policy. In addition, IAD determined that the Executive Director purchased \$2,774 in steaks from a food vendor and asked the vendor to provide an email stating the cost of steaks were being reimbursed from the vendor. Further review by IAD revealed the vendor had reimbursed UAMS for damaged goods and the Executive Director was using this reimbursement to conceal the purchase of steaks and \$2,000 in gift cards to be used at the Christmas party.

In a voluntary statement provided by the Executive Director, she acknowledged taking food that should have been for the food pantry as well as accepting gifts from vendors.

As a result of UAMS investigation and confirmed by IAD review, it appears the Executive Director made an unauthorized purchase of \$2,774, and misused donations of gift cards in the amount of \$2,000, as well as taking food from UAMS campus without proper payment. The Executive Director was terminated from employment on February 11, 2022.

The University of Arkansas System Internal Audit Department (IAD) conducted an audit of the University of Medical Sciences (UAMS) Outpatient Pharmacy after the Chief Pharmacy Officer notified IAD that a pharmacy technician had been taking cash from the Point of Sale (POS) and altering accounts receivable transactions. A review of surveillance footage by UAMS Security Support Services Department revealed that during the period October 25, 2022, through January 30, 2023, a pharmacy technician was responsible for \$2,454 that was not properly entered into the point of the sale software. In addition, using data analytics, IAD was able to identify an additional \$433 in prescriptions that the pharmacy technician charged to employee accounts, resulting in a total loss of \$2,887. The pharmacy technician was terminated on February 6, 2023, and \$313 was recouped from the pharmacy technicians last paycheck.

Status per Prosecuting Attorney: Both employees were terminated, and no criminal files were referred to the PA for review.

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Perry County.



Seventh Judicial District

Grant and Hot Spring Counties

Judicial District Population: 51,238
Circuit Judges: 2

Teresa Howell
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Grant County

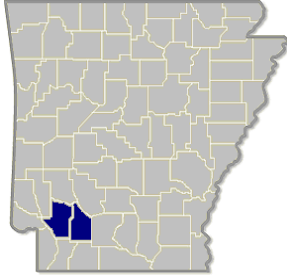
Department of Finance and Administration (*Audit Period: 7/1/20 - 6/30/21*):

2023 The Department of Finance and Administration (DFA) notified us of the following shortage:

On July 27, 2021, a \$1,000 shortage was discovered during a routine reconciliation at the Sheridan Revenue Office. DFA was unable to determine criminal intent by the custodian of funds; however, this employee was moved to a different work location and continues to be monitored by DFA management.

Status per Prosecuting Attorney: *The PA reviewed the results of an investigation by DFA and determined there is insufficient evidence to establish probable cause for a criminal arrest of any person in connection with this matter.*

Note: No matters were referred for Hot Spring County.



Eighth Judicial District-North

Hempstead and Nevada Counties

Judicial District Population: 27,881
Circuit Judges: 2

Ben Hale
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Hempstead County

Hope School District (*Audit Period: 7/1/21 - 6/30/22*):

- 2023 On March 9, 2022, the District initiated an ACH transaction totaling \$9,805 after receiving a fictitious payment request from an email address that appeared to belong to a vendor the District utilizes. District personnel discovered the error upon review of the legitimate invoices and affected bank account. The District reported the incident to the City of Hope Police Department. As of report date, the District had not recovered the funds.

Status per Prosecuting Attorney: *This matter remains under active investigation by law enforcement.*

Nevada County

*Nevada County (*Audit Period: 1/1/21 - 12/31/22*):

2023 County Judge

The County Judge's children were paid a total of \$26,279 and \$14,992 from the Road Fund in 2022 and 2021, respectively, for services performed on weekdays and weekends. While timesheets were provided, we were unable to determine the specific services provided. In addition, the timesheets were reviewed and approved by the County Judge, rather than the Road Foreman. Furthermore, the County Judge reviewed and approved timesheets for his spouse, who was employed as his Administrative Assistant.

Status per Prosecuting Attorney: *It appears the County Judge was attempting to comply with Legislative Audit's 2019 recommendation and nothing more. Further, the County Judge is no longer the elected County Judge.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Eighth Judicial District-South

Lafayette and Miller Counties

Judicial District Population: 48,812
Circuit Judges: 3

Connie Mitchell
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Miller County

*City of Garland (*Audit Period: 1/1/20 - 12/31/22*):

2023 Mayor

On October 11, 2021, the City Council appointed a member from its own body to be City Maintenance Supervisor, a newly created position, in non-compliance with Ark. Code Ann. § 14-42-107(a)(1). Additionally, the Council voted to waive compliance with this section of Arkansas Code, which is unallowable. Although this individual remained on the Council, he did not receive salary as a Council member but was paid \$225 weekly for the City Maintenance Supervisor position.

Status per Prosecuting Attorney: *The PA sent the Mayor a letter of caution and advised corrective action.*

Miller County (*Audit Period: 1/1/21 - 12/31/21*):

2023 County Judge

The County disbursed \$1,612 without an authorizing ordinance, as required by Ark. Code Ann. § 14-14-1202:

- \$1,036 to a business owned by a Quorum Court member for parts and repairs.
- \$576 to an employee's spouse for moving and assembling office furniture.

Status per Prosecuting Attorney: *The PA sent the County Judge a letter of caution and advised that a retroactive ordinance be drafted and presented to the Quorum Court for approval to authorize these disbursements.*

Matters Referred by Legislative Joint Auditing Committee

Miller County (Continued)

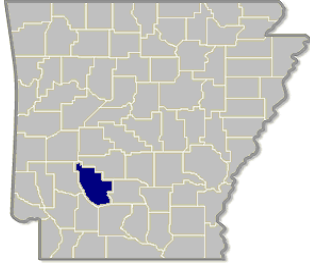
Texarkana Arkansas School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 District personnel discovered that the employee responsible for donations to the T ASD Care Closet and Food Pantry (Pantry) received checks totaling \$1,500 from three local entities, with two checks payable to the employee and one payable to the Pantry. The checks were not deposited into the District's bank account, nor were receipts provided to document items purchased with the funds. The individual's employment was terminated on October 24, 2022.

Status per Prosecuting Attorney: *The employee has repaid all funds, and at the request of the District, no charges were pursued.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Lafayette County.



Ninth Judicial District-East

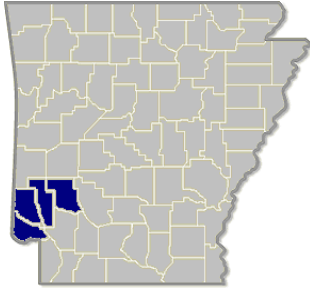
Clark County

Judicial District Population: 21,321
Circuit Judge: 1

Dan Turner
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Note: No matters were referred for Clark County.



Ninth Judicial District-West

Howard, Little River, Pike, and Sevier Counties

Judicial District Population: 50,491
Circuit Judge: 2

Jana Bradford
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Little River County

Foreman School District (*Audit Period: 7/1/21 - 6/30/22*):

- 2023 On March 15, 2022, after an employee contacted the District about not receiving her payroll direct deposit, District personnel discovered that an employee's direct deposit had been fraudulently diverted to another bank account. On February 8, 2022, District personnel updated the employee's bank information based on a phishing email they received that appeared to be from the employee. The District was unable to recover the funds.

Status per Prosecuting Attorney: *The PA spoke with the Superintendent. There was no criminal activity on the part of the District; however, corrective action was taken to ensure no changes are made to an employee's bank information unless the employee appears in person to make the request. As to the phishing email, the PA will have the Prosecutor's Investigator look into the matter to determine if criminal charges could be pursued.*

Little River County (*Audit Period: 1/1/20 - 12/31/21*):

- 2023 County Judge

The County paid \$600 to a Quorum Court member's business for a one-time delivery service without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-14-1202 and Op. Att'y Gen. no. 2008-014.

Status per Prosecuting Attorney: *The County adopted an ordinance to comply with the law, and the PA advised the County Judge to complete a similar ordinance for any future matter that may involve a Quorum Court member.*

Pike County

Centerpoint School District (*Audit Period: 7/1/21 - 6/30/22*):

- 2023 The District discovered, and we verified, unaccounted-for fundraising proceeds and state dues totaling \$1,833 in the FCCLA Activity Account for the period July 1, 2019 through June 30, 2022. The sponsor, who was custodian of the funds, signed a garnishment agreement allowing the District to deduct \$100 per month from her paycheck until all funds have been recouped. As of the report date, the District has recovered \$700 of the funds.

Status per Prosecuting Attorney: *The PA spoke with the Superintendent, and the District provided a corrective action plan. However, the PA will continue to investigate the matter further.*

Matters Referred by Legislative Joint Auditing Committee

Pike County (Continued)

City of Glenwood (Audit Period: 1/1/20 - 12/31/21):

2023 Mayor

During August 2021, the Mayor took possession of City-owned asphalt millings from City property and used the millings at his personal residence and the residence of a family member. In August 2022, the Mayor was charged with Theft of Property and Abuse of Office, both Class A misdemeanors. As a result of a plea agreement, the Mayor was ordered to pay \$3,000 in restitution to the City and \$490 in court fines and fees, must resign from the office of Mayor, and may not seek election to any other public office.

Status per Prosecuting Attorney: *This matter was resolved with the filing of criminal charges against the Mayor and the resulting plea agreement. No further action will be taken.*

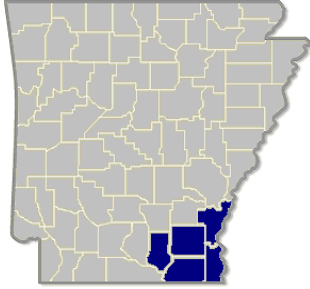
Sevier County

City of Horatio (Audit Period: 1/1/20 - 12/31/22):

2023 On March 23, 2022, the City initiated an ACH transaction totaling \$7,377 after receiving a fictitious payment request from an email address that appeared to belong to a vendor the City utilizes. Vendor personnel discovered the error on March 28, 2022, and notified the City. The City reported the incident to the respective financial institutions, as well as the City Attorney, Arkansas Municipal League, Sevier County Sheriff's Office, and Federal Bureau of Investigation. As of report date, the City had not recovered the funds.

Status per Prosecuting Attorney: *The Prosecutor's Investigator contacted the various agencies involved in investigating this matter. Due to the length of time since the incident occurred and the complexity of tracking a crime of this nature, it is virtually impossible to continue any further investigation. The file will be closed unless additional information surfaces that would lead to a potential defendant.*

Note: No matters were referred for Howard County.



Tenth Judicial District

Ashley, Bradley, Chicot, Desha, and Drew Counties

Judicial District Population: 67,301
Circuit Judge: 5

Frank Spain
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Ashley County

*City of Portland (Audit Period: 1/1/21 - 12/31/22):

2023 Mayor and Recorder/Treasurer

In 2022, the City disbursed \$3,000 to the Portland Food Pantry without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5.

Status per Prosecuting Attorney: *The PA sent the Mayor a letter of caution and advised the City to take appropriate measures, seeking guidance from the City Attorney if necessary.*

City of Portland (Audit Period: 1/1/20 - 12/31/20):

2022 Mayor/Recorder-Treasurer

The City overpaid a total of \$6,033 to the following employees:

- \$1,660 to the Recorder/Treasurer due to an extra payroll check she received in December 2020 and for an hourly raise not approved by the City Council.
- \$1,760 to two city employees (\$880 each) due to an hourly raise not approved by the City Council.
- \$880 and \$1,733 to the Mayor and an employee, respectively, who were paid from Water/Sewer funds, due to an hourly raise not approved by the City Council.

Mayor

The City paid \$5,639 to a business owned by an employee without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107. A similar finding was issued in the prior report.

Matters Referred by Legislative Joint Auditing Committee

Ashley County (Continued)

City of Portland (Audit Period: 1/1/20 - 12/31/20): (Continued)

Recorder/Treasurer

In September 2011, the City received a Writ of Garnishment for a City employee (Defendant). Beginning in January 2018, the City ceased compliance with the terms of the Garnishment, resulting in a judgment against the City as Garnishee totaling \$4,375 for interest, accrued legal costs, and wages not withheld from the Defendant's salary. The City was also responsible for attorney fees totaling \$2,900: \$500 for preparing the Motion and Order seeking judgment against the City as Garnishee and \$2,400 for general legal services. The City's failure to comply with the Writ of Garnishment resulted in waste of public funds totaling \$7,275. The Defendant is still employed by the City.

Status per Prosecuting Attorney: The PA requested a State Police investigation.

Crossett School District (Audit Period: 7/1/21 - 6/30/22):

2023 The District made four monthly payments, totaling \$175,383, to a vendor's bank account using electronic transfer, after receiving a payment request via email that appeared to be from the vendor. After the fourth payment was processed, the recipient bank notified the District that the account appeared to be fictitious. The District immediately contacted the vendor, who provided the correct bank account information. As of report date, the District had not recovered the funds transferred to the fictitious account, and the vendor has not requested additional payments from the District.

Status per Prosecuting Attorney: The PA requested a State Police investigation.

Bradley County

Bradley County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge

The County paid a hospital employee \$50,000 without a contract, in apparent conflict with Ark. Const. art. 12, §5. Additionally, the County did not issue an Internal Revenue Service Form 1099 to the hospital employee.

Status per Prosecuting Attorney: The PA requested a State Police investigation.

Matters Referred by Legislative Joint Auditing Committee

Bradley County (Continued)

*Town of Banks (Audit Period: 1/1/20 - 12/31/22):

2023 Mayor

The Town paid \$600, \$540, and \$900 to the Mayor in 2022, 2021, and 2020, respectively, for mowing without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107. A similar finding was noted in the previous report.

The Town paid \$800 in 2022 for a dinner for Council members and their families without a documented business purpose, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5.

Status per Prosecuting Attorney: The PA issued a letter to the Attorney General's (AG's) Office, requesting an investigation. Subsequent to reviewing AG's Office report, the PA declined to file any criminal charges.

Chicot County

*City of Dermott (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor and City Clerk

The City paid a total of \$2,893 for overdraft fees and late fees in conflict with the "public purpose doctrine" discussed in Op. Att'y Gen. no. 91-410.

Status per Prosecuting Attorney: The PA met with the Mayor and advised him to consult with the City Attorney in taking the appropriate steps to correct these issues.

City of Dermott (Audit Period: 1/1/20 - 12/31/20):

2022 Mayor, City Clerk, and Police Chief

Monetary donations to a Police Department toy drive, totaling \$950, were deposited in the City's bank account, and checks totaling \$950 were issued to a Department employee to purchase toys/gifts for the children. However, the employee provided no documentation to substantiate how the funds were used.

Mayor and City Clerk

One City Council member was paid \$630 more than the remaining three members. Because wage rates for elected officials were not reflected in the City's budget or in the Council meeting minutes, we were unable to determine if one Council member was overpaid or the remaining three were underpaid. A similar finding concerning wage rates was noted in the previous six reports dating back to 2014.

Status per Prosecuting Attorney: The PA requested a State Police investigation.

Matters Referred by Legislative Joint Auditing Committee

Chicot County (Continued)

City of Lake Village Water and Sewer Department (*Audit Period: 2/1/19 - 1/31/21*):

2022 Our review revealed unaccounted for funds totaling \$9,363 during the period February 1, 2019 through January 31, 2021. The Accounting Clerk, who resigned from employment in March 2021, was custodian of the funds and was responsible for bank deposits. It appears that receipt entries were reversed and customer accounts were adjusted to conceal these unaccounted for funds.

Several internal control deficiencies contributed to funds being misappropriated and the misappropriation not being detected timely. Also, the City failed to obtain the 2019 financial audit timely, as required by Ark. Code Ann. § 14-234-119.

On March 15, 2022, Tashanda Freeman, former Department Accounting Clerk, was charged with theft of property and computer fraud, and an arrest warrant was issued on June 29, 2022.

Status per Prosecuting Attorney: *Freeman entered a negotiated plea of guilty to felony theft of property; was sentenced to 48 months probation; and was ordered to pay \$2,500 in restitution, \$1,000 in audit costs, and \$440 in fees and costs.*

Desha County

*Desha County (*Audit Period: 1/1/21 - 12/31/21*):

2023 County Judge

The County paid a business owned by an employee \$3,400 for tree removal. A similar finding was noted in the prior report.

Status per Prosecuting Attorney: *The PA issued a letter of caution to the County Judge and advised him to consult the County Attorney should the need arise to contract with an employee to provide the County with services under unusual circumstances.*

Drew County

*Town of Jerome (*Audit Period: 1/1/20 - 10/14/21*):

2023 Mayor

The Town is paying utilities and insurance and receiving rental fees, without a contract, on a building it does not own, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099. A similar finding was issued in the prior report.

Status per Prosecuting Attorney: *The Town of Jerome has dissolved. No further action will be taken.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Eleventh Judicial District-East

Arkansas County

Judicial District Population: 16,722
Circuit Judges: 1

Tim Blair
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Arkansas County

Arkansas Game and Fish Commission (*Audit Period: 7/1/19 - 6/30/20*):

2021 R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that “the bonded disbursing officer for each state agency, board, commission or institution is responsible for... reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Division of Legislative Audit. Losses include... the apparent theft or misappropriation of state funds or property theft.” The Arkansas Game and Fish Commission (AGFC) notified Arkansas Legislative Audit (ALA) of the following theft of state property:

- On January 11, 2021, AGFC staff were made aware of a theft that occurred at a storage unit in DeWitt, Arkansas that contained materials for the Nongame Bird Program. Contents stolen included research materials, office furniture, safety equipment, and small electronic devices valued at \$5,020. A police report was filed.

Status per Prosecuting Attorney: *After inquiring about this matter with the DeWitt Police Department, the PA was informed that they have no new information that would allow them to progress the investigation. Further, the crime occurred on 1/11/2021, and the statute of limitations on this case (3 years) expired on 1/11/2024. Therefore, this matter will be closed.*



Eleventh Judicial District-West

Jefferson and Lincoln Counties

Judicial District Population: 78,898
Circuit Judges: 6

S. Kyle Hunter
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Jefferson County

Arkansas River Service Cooperative (*Audit Period: 7/1/20 - 6/30/21*):

2022 During our examination of payroll records, we noted that one employee was overpaid \$3,450. The employee did not return on August 10, 2020, for the 2020-2021 school year, as stated in the employee's contract, but received a payroll direct deposit on August 14, 2020. After numerous attempts to contact this employee, the Cooperative received a resignation letter dated August 22, 2020. As of report date, the Cooperative had not recovered these funds.

Status per Prosecuting Attorney: *This matter was referred to Arkansas State Police for investigation.*

*City of Pine Bluff (*Audit Period: 1/1/22 - 12/31/22*):

2023 Mayor and Urban Renewal Agency Director

In July 2022, an Urban Renewal (Agency) employee discovered questionable transactions regarding a vendor being utilized by the Agency for asbestos and abatement services. Our review revealed the City paid the vendor \$667,384 from May 2019 through August 2021. After an investigation by Arkansas State Police, Maurice Taggart, who served as Agency Director from August 2018 until September 30, 2021, and an individual associated with the vendor were each charged with 46 counts of forgery and 38 counts of theft of property; Taggart was also charged with one count of abuse of office.

Status per Prosecuting Attorney: *Taggart was killed in an unrelated matter on August 30, 2023. Rodrick Morris, the individual associated with the vendor, was charged with 46 counts of forgery and 38 counts of theft of property. Subsequent to a jury trial, Morrison was sentenced to 420 months in Arkansas Department of Corrections and ordered to pay a fine of \$317,535 and restitution of \$667,000.*

The Bond Trust Fund paid \$300,000.

Matters Referred by Legislative Joint Auditing Committee

Jefferson County (Continued)

City of Pine Bluff (Audit Period: 1/1/21 - 12/31/21):

2022 Mayor and Police Chief

During the period May through July 2021, Derrell Ray, a Police Department employee who served as fleet manager until he resigned from employment on July 19, 2021, sold 30 Department vehicles, valued at \$20,850 that had been removed from service, without management authorization. Proceeds from the vehicle sales were not remitted to the City, and Mr. Ray was charged with theft of property on March 4, 2022. A court date is scheduled for March 29, 2023.

Status per Prosecuting Attorney: This matter is set for trial on February 10, 2025.

Department of Corrections (Audit Period: 7/1/20 - 6/30/21):

2023 In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit a loss of State funds totaling approximately \$8,000. Act 1110 of 2021 allowed the Department of Corrections (Corrections) to use federal stimulus payments received by inmates for their outstanding fines, fees, or court costs owed to local governments. In accordance with the Act, any remaining funds available were distributed in equal parts to the inmate welfare fund and the inmate care and custody fund maintained by Corrections.

Subsequent to enforcement of this Act, inmates filed paperwork with the United States Department of Treasury (Treasury), claiming their stimulus payments were lost/stolen. As a result, Treasury notified the bank, which reclaimed the total amount of stimulus funds from the inmate bank account. Corrections used state funds to reimburse the inmate bank account for these losses, resulting in a loss to the State of approximately \$8,000.

In response to a lawsuit filed by inmates, the court ruled that stimulus funds can continue to be used to pay outstanding fines, fees, or court costs; however, any federal relief or stimulus funds remaining after such obligations are satisfied must be returned to the inmate.

Status per Prosecuting Attorney: This issue has been clarified by the court for the future, and no further action is needed.

Jefferson County (Audit Period: 1/1/21 - 12/31/21):

2022 County Judge

The County discovered, and ALA verified, unauthorized cell phone charges totaling \$19,306 during the period July 1, 2019, through January 31, 2022. These charges were related to 25 non-County cell phone numbers that were added to the County's account. According to County personnel, some of these unauthorized phones appeared to belong to family and acquaintances of the County Judge's Chief of Staff who resigned in January 2022.

The County Judge notified the 11th West Judicial District Prosecuting Attorney and Arkansas State Police of this matter.

Matters Referred by Legislative Joint Auditing Committee

Jefferson County (Continued)

Jefferson County (Audit Period: 1/1/21 - 12/31/21): (Continued)

Status per Prosecuting Attorney: State Police were unable to determine who authorized the cell phones to be added to the County's account or who had the phones.

Jefferson County (Audit Period: 1/1/20 - 12/31/20):

2021 County Judge

Due to the COVID-19 pandemic, the County paid \$70,920 to two individuals for deep cleaning and sanitizing of County buildings during the period January 1, 2020 through August 26, 2021. These individuals do not appear to have provided cleaning services to other customers or to operate an incorporated cleaning business. Additionally, we were unable to determine if these individuals were qualified to provide specialized cleaning services.

During a meeting with the County Judge and other County employees on August 24, 2021, the County Judge's Chief of Staff acknowledged hiring the individuals and approving the invoices. However, she was unable to provide any detailed information concerning these individuals' qualifications or the process for selecting them to provide the cleaning services.

Also, the County Clerk failed to issue an Internal Revenue Service (IRS) Form 1099-Misc. to one of the individuals, who received payments totaling \$26,600 in 2020.

Status per Prosecuting Attorney: State Police were unable to establish that the cleanings were not conducted by the two companies involved. These cleanings were suspicious, but the investigation did not reveal evidence sufficient to charge a crime.

*University of Arkansas at Pine Bluff (Audit Period: 7/1/22 - 6/30/23):

2023 The University of Arkansas System Internal Audit Department (IAD) was notified by the University of Arkansas at Pine Bluff (UAPB) of a potential loss of U.S. Prep Grant and the Educator Preparation Program (EPP) funds. IAD conducted a review for the period January 13, 2022, through February 21, 2023, and discovered that a UAPB Administrative Assistant had issued her spouse, who was a student and part-time employee of UAPB, thirteen stipends totaling \$16,950. IAD review of grant requirements revealed the Administrative Assistant's spouse did not meet the grant requirements and was not eligible for the stipends. The Administrative Assistant and her spouse were terminated on February 21, 2023. Upon termination both employees' pay checks were held and accrued vacation leave was not paid out resulting in \$4,279 being recouped. As of report date, UAPB is seeking to recover the remaining \$12,670 incorrectly paid to the Administrative Assistant's spouse.

Status per Prosecuting Attorney: Denika Smith-Scott and Kristopher Scott were each charged with 13 counts of felony forgery and theft of property on July 26, 2024.

Matters Referred by Legislative Joint Auditing Committee

Lincoln County

*City of Gould (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor and Recorder/Treasurer

The City paid \$2,047 for a sign to be displayed outside City Hall to memorialize the death of a city employee, in apparent conflict with the "public purpose" doctrine as interpreted by the Attorney General in Op. Att'y Gen. no. 91-410.

Status per Prosecuting Attorney: *The City has been made aware of the law on this issue, which should eliminate this type of problem in the future.*

*City of Grady (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor and Police Chief

Fines and costs revenue of \$281,932 exceeded 30% of the City's total expenditures in the preceding year by \$30,421, in noncompliance with Ark. Code Ann. § 12-8-403. This revenue was generated from traffic offense citations written or arrests made by the City's law enforcement personnel or from ancillary actions related to the enforcement of traffic offenses.

Status per Prosecuting Attorney: *Pursuant to the law in 2021 and 2022, the City was presumed to be an illegal speed trap based upon the revenue to expenditures calculations determined by Legislative Audit and confirmed by State Police investigation. The fact that there is not a decrease in the posted speed limit upon entering the City and the small number of tickets written for less than 10 mph over the posted speed, the presumption of being a speed trap is overcome. Also, the legislature amended the definition of an "Affected Highway" in the 2023 session which now eliminates Grady as an Affected Municipality. Therefore, no further action will be taken in this matter.*

City of Grady (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor and Police Chief

Fines and costs revenue of \$470,265 exceeded 30% of the City's total expenditures in the preceding year by \$284,758, in noncompliance with Ark. Code Ann. § 12-8-403. This revenue was generated from traffic offense citations written or arrests made by the City's law enforcement personnel or from ancillary actions related to the enforcement of traffic offenses.

Status per Prosecuting Attorney: *See response above.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Twelfth Judicial District

Sebastian County

Judicial District Population: 128,400
Circuit Judges: 7

Daniel Shue
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Sebastian County

Department of Finance and Administration (*Audit Period: 7/1/20 - 6/30/21*):

2023 The Department of Finance and Administration (DFA) notified us of the following shortage:

An employee at the Fort Smith Revenue Office issued 160 driver licenses, without the proper documentation required, for apparent personal gain. After being questioned by DFA, the employee acknowledged the offense and resigned from employment. DFA cancelled the suspected driver's licenses and turned the case over to Fort Smith Homeland Security and the United States Attorney's Office. The former employee has been charged with Honest Service Fraud (18 U.S.C Sec. 1346) and Bringing in and Harboring Certain Aliens (8 U.C.S. Sec. 1324).

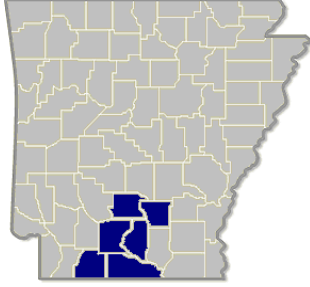
Status per Prosecuting Attorney: *The PA contacted federal authorities and was notified that federal authorities are currently reviewing the matter for federal prosecution.*

*University of Arkansas at Fort Smith (*Audit Period: 7/1/22 - 6/30/23*):

2023 The University of Arkansas System Internal Audit Department (IAD) conducted an audit regarding unreturned leased technology assets at the University of Arkansas at Fort Smith (UAFS) for the period September 1, 2019, through November 11, 2022. On August 19, 2022, UAFS management identified an apparent loss of funds related to unreturned leased technology assets to students and employees. On August 25, 2019, UAFS signed a contract to lease technology equipment over 37 months, with the option to purchase the equipment at fair market value or return the equipment. After returning the equipment, the vendor invoiced UAFS for the unreturned assets on August 11, 2022, totaling \$9,830. IAD reviewed the final invoice and determined that the apparent loss after taking into consideration equipment that was damaged, misplaced or subsequently returned totaled \$7,205. IAD identified 34 students and one faculty member as the responsible parties for the unaccounted for equipment. As of September 16, 2023, UAFS has recovered \$3,042, written off \$2,572, and has a remaining amount due of \$1,590.

Status per Prosecuting Attorney: *There is a long line of Appellate Court decisions in Arkansas that the mere failure to perform a promise is not theft. It would be a significant stretch to try to prosecute these cases as Theft of Property/Theft by Deception, each Class "A" Misdemeanors. Additionally, the statute of limitations has expired.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Thirteenth Judicial District

Calhoun, Cleveland, Columbia, Dallas, Ouachita, and Union Counties

Judicial District Population: 101,881
Circuit Judges: 6

Jeff Rogers
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Calhoun County

*Calhoun County (Audit Period: 1/1/21 - 12/31/21):

2023 County and Circuit Clerk

Our review of payroll accounts revealed the County Judge's gross pay was \$1,036 greater than the amount appropriated, in noncompliance with Ark. Code Ann. §§ 14-14-1101, -1102, and -1203.

Status per Prosecuting Attorney: *The PA will be sending a letter of caution to the County Judge regarding this issue and requesting the funds be reimbursed unless or until an authorizing ordinance is passed by the Quorum Court. This is not considered a criminal matter. This matter is considered closed.*

City of Thornton Water Department (Audit Period: 1/1/22 - 12/31/22):

2023 ALA staff review of selected disbursements revealed an unauthorized disbursement of \$500, as well as undocumented disbursements totaling \$1,368 for which the business purpose could not be determined. It appears these purchases were made by the former Office Manager, whose employment was terminated in November 2022.

Status per Prosecuting Attorney: *This matter was referred to law enforcement. Upon the repayment of the undocumented disbursement of the \$500 (tire purchase on City credit account), the prosecution of the matter was concluded without a final disposition. Since that time, the former Office Manager has made full restitution to the City of Thornton. This matter is considered closed.*

Town of Harrell (Audit Period: 1/1/19 - 12/31/21):

2023 Mayor and Recorder/Treasurer

The Town issued salary overpayments of \$750 to the Recorder/Treasurer in 2020. The approved salary was \$1,500 per month to be paid bi-monthly; however, an extra payment was made in December 2020.

Status per Prosecuting Attorney: *The PA will be sending a letter of caution to the Mayor regarding the overpayment issue and requesting that the Town seek reimbursement of the funds.*

Matters Referred by Legislative Joint Auditing Committee

Calhoun County (Continued)

Town of Harrell (Audit Period: 1/1/19 - 12/31/21): (Continued)

The Town purchased a truck from a Council member for \$13,000 in 2020 without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

Status per Prosecuting Attorney: The PA will be sending a letter of caution to the Mayor and City Council requesting that an authorizing ordinance be passed to allow for the purchase of the truck from the Council member. These are not considered criminal matters and are considered closed.

Columbia County

Dorcheat Public Water Authority (Audit Period: 1/1/19 - 7/20/22):

2023 ALA staff review revealed that receipts totaling \$182,520 were not deposited in the PWA's bank accounts during the period January 1, 2019 through July 20, 2022. The Water Clerk was custodian of the funds and was responsible for bank deposits. Several internal control deficiencies contributed to funds being apparently misappropriated and the discrepancies not being detected timely.

In addition, the PWA failed to obtain annual financial audits or agreed-upon procedures and compilation reports timely, as required by Ark. Code Ann. § 14-234-119.

Status per Prosecuting Attorney: The PA referred this matter to Arkansas State Police for investigation. As a result, the former Water Clerk was arrested and charged with theft of property, a class B felony, in Case No. 14CR-23-68. The criminal matter is still pending, with a jury trial currently scheduled for December 9-13, 2024.

Dallas County

Dallas County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge and Sheriff

The Chief Deputy Sheriff was over-reimbursed \$1,059 due to duplicate reimbursements and a reimbursement for supplies that the County purchased directly from a vendor.

Status per Prosecuting Attorney: The PA will be sending a letter of caution to the County Judge and Sheriff requesting that funds be reimbursed by the Chief Deputy Sheriff. This is not considered a criminal matter. This matter is considered closed.

Matters Referred by Legislative Joint Auditing Committee

Dallas County (Continued)

Town of Carthage (Audit Period: 1/1/18 - 12/31/20):

2022 Mayor

During our review of Council minutes, we noted amounts owed to the City by the Mayor (who served in 2018) and Recorder/Treasurer, as well as lack of timely payments and possible negotiated payment reductions. During the engagement, City officials did not provide a reason for the amounts owed; however, during the exit conference, the current Mayor (who took office in 2019) indicated the amounts were for payroll checks issued to the Recorder/Treasurer's husband. The Council decided the former Mayor should reimburse a portion of the amount due because he signed the checks. Documentation supporting the amounts due was not provided.

Subsequent review of payment journals, maintained by the Recorder/Treasurer, indicated the following:

- The Mayor owed, and appears to have paid, the City \$1,100; however, receipts issued totaled \$1,660, and only \$1,410 was deposited, leaving \$250 unaccounted for.
- The Recorder/Treasurer owed, and appears to have paid \$1,400 to the Street Fund; however, receipts issued totaled \$1,650, and only \$850 was deposited, leaving \$800 unaccounted for.
- The City issued 21 payroll checks, totaling \$4,600 to, the Recorder/Treasurer's husband from May 2017 through December 2018, for services performed, without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107. We noted the following additional issues with these payments:
 - Of the 21 checks, only 11 were included on the financial reports presented to the Council.
 - Rates of pay indicated on check stubs were not consistent.
 - Timesheets were not always provided.
 - IRS Form W-2 was not issued.

Furthermore, it should be noted that the Recorder/Treasurer was responsible for receipting and depositing her payments to the City, as well as maintaining the payment journal.

Status per Prosecuting Attorney: *This matter will be referred to law enforcement for investigation.*

Matters Referred by Legislative Joint Auditing Committee

Ouachita County

Camden Fairview School District (Audit Period: 7/1/21 - 6/30/22):

2023 In May 2021, the District discovered a gross salary overpayment totaling \$25,039, with a net overpayment of \$15,445, to an employee for sick leave days. Of this amount, we were able to verify \$20,889 as a gross overpayment. The employee resigned April 8, 2021. As of report date, \$2,000 had been reimbursed to the District.

The District discovered, and we verified, a gross salary overpayment totaling \$2,193 to an employee for sick leave days. As of report date, \$1,439 had been reimbursed. In addition, during testing of payroll disbursements, we noted three employees with salary overpayments totaling \$454.

Status per Prosecuting Attorney: *The PA will be sending a letter to the District advising that efforts should be made to recover the overpayments and that if such efforts are unsuccessful, then a lawsuit should be commenced against each employee to recover such overpayments.*

The District discovered, and we verified, improper credit card charges of \$800. An employee, who resigned on March 18, 2022, stated to District officials that these charges were for personal expenses. The employee agreed to allow the District to withhold the \$800 from the employee's final paycheck on April 15, 2022.

Status per Prosecuting Attorney: *With the amount reimbursed to the District, this matter is considered closed.*

*Ouachita County (Audit Period: 1/1/21 - 12/31/21):

2023 Tax Collector

Receipts issued by the Tax Collector's Office exceeded bank deposits by \$26,064 during the period January 1, 2020 through February 7, 2022. It appears that the Office Manager, who resigned in February 2022, was custodian of the undeposited funds.

Status per Prosecuting Attorney: *This matter has been referred to law enforcement for investigation.*

Sheriff

Using a mobile banking app, a vendor deposited a \$610 check issued from the Sheriff's Circuit bank account twice in 2021. The County's failure to reconcile the affected bank account resulted in the transaction not being detected timely. As of report date, the County had not recovered the funds.

Status per Prosecuting Attorney: *The PA will inquire as to the Sheriff's efforts to recover the funds and directing that proper management and accounting practices be implemented to reconcile all accounts. This is not considered a criminal matter and is considered closed.*

Matters Referred by Legislative Joint Auditing Committee

Union County

*City of Calion (Audit Period: 1/1/20 - 12/31/22):

2023 Treasurer

During 2022, the Treasurer paid herself four extra payments, totaling \$2,586, in excess of her appropriated salary, in noncompliance with Ark. Code Ann. § 14-42-120. The Treasurer was unable to provide documentation to support the extra payments; therefore, the validity of these payments could not be determined.

Status per Prosecuting Attorney: *The PA will be sending a letter of caution to the Mayor and Treasurer demanding that the Treasurer immediately reimburse the City for such unappropriated funds. If the funds are not reimbursed in a timely manner, the PA will refer this matter to law enforcement for investigation and prosecution.*

*City of El Dorado (Audit Period: 1/1/21 - 12/31/21):

2023 Mayor

The City expended \$1,170 to a business owned by the spouse of an elected official for cleaning services without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107. A similar finding was noted in the previous three reports.

Status per Prosecuting Attorney: *The PA wrote a letter advising that the \$1,170 paid to a business owned by the spouse of an elected official be immediately reimbursed to the City, with proof of payment provided to the PA. To date, such payment has not been made. The PA has advised the City to seek reimbursement of such amount through civil litigation. Additionally, this matter has been referred to the Attorney General for investigation.*

Analysis of Golf Course sales reports, for the period January 1, 2021 through March 23, 2023, revealed \$22,467 in unaccounted for cash. The City Collector was custodian of the undeposited funds.

In addition, analysis of Recycling Center receipts, for the period January 1, 2021 through February 7, 2023, revealed \$20,274 not deposited. Furthermore, due to missing receipt books, it appears that at least an additional \$9,964 in Recycling Center receipts was not accounted for and, therefore, not deposited. The Recycling Center Supervisor and City Collector were custodian of the undeposited funds. The City Collector's employment was terminated in January 2023.

Status per Prosecuting Attorney: *The Golf Course and Recycling Center matters have been referred to the Attorney General for investigation.*

We noted two invoices of \$7,395 and \$5,878 from a vendor using the same invoice number, date, and description. Additionally, documentation was provided to support only \$3,250 of the charges from the vendor. Due to lack of supporting documentation, we were unable to determine if all services were provided and if payments made were duplicated.

Status per Prosecuting Attorney: *The PA will send a letter to the City advising that the City should contact the vendor to obtain supporting documentation to explain the duplicate invoices. If such duplicate billing and overcharge did, in fact, occur, the City should seek recovery of such amounts.*

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

*City of El Dorado (Audit Period: 1/1/21 - 12/31/21): (Continued)

On February 7, 2019, the City purchased the Playscape property from El Dorado Festival & Events, Inc. (EDFE), a nonprofit organization, for \$3.45 million. On February 27, 2019, the City entered into an agreement to lease Playscape to EDFE for \$10 annually, with EDFE having exclusive control to operate Playscape and to pay all expenses for activities conducted on the premises. Subsequently, on April 8, 2021, the City entered into a contract for services in which it agreed to pay EDFE \$400,000 in calendar year 2021, without apparent additional consideration beyond that contained in the 2019 lease agreement. As a result, this arrangement is in noncompliance with Ark. Const. art. 12, § 5.

Status per Prosecuting Attorney: *The additional consideration was the services provided by EDFE in providing guaranteed hours of operation of the playscape. The Municipal League, on behalf of the City, was consulted on this matter. This is not a criminal matter and is considered closed.*

City of Strong (Audit Period: 1/1/19 - 12/31/21):

2023 Mayor and Recorder/Treasurer

1. Our review disclosed \$6,965 in improper charges on the City's credit card account:
 - \$5,129 in purchases with no or inadequate supporting documentation.
 - \$1,552 in purchases without an adequately documented business purpose.
 - \$284 in finance charges and late fees.
2. The City purchased \$2,970 in food, primarily from grocery stores, without a documented business purchase.
3. The City utilized solid waste funds to pay monthly dumpster rental fees on behalf of five private businesses, in apparent conflict with Ark. Const. art. 12, § 5, which states, in part, "No county, city, town or other municipal corporation, shall...loan its credit to any corporation, association, institution, or individual." Additionally, the City bills these businesses through the Water Department; however, it does not appear that the Water Department transfers payments received to the solid waste fund.
4. The City offers a service through which individuals can pay utility bills at City Hall. City employees collect payments, and deposits are made in a bank account maintained by a third-party provider, rather than in a City bank account. In July 2022, the City was notified that funds totaling \$2,461, collected for payment of utility bills, were not deposited. A City employee, who was custodian of these funds, was terminated on August 3, 2022. Subsequently, City funds of \$2,461 were utilized to pay the provider for the undeposited funds.

Status per Prosecuting Attorney: *These matters will be referred to law enforcement.*

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

City of Strong (Audit Period: 1/1/18 - 12/31/18):

2020 Mayor

Analysis of receipts revealed unaccounted for funds totaling \$680 as follows:

- Receipts issued by clerks were subsequently re-receipted by the Mayor, and only receipts issued by the Mayor have been provided by the City in prior audits. Analysis of receipts issued by clerks for the period January 1, 2018 through March 19, 2020, revealed that receipts totaling \$409 were not entered in the City's general ledger and were apparently not deposited. Several clerk receipt books could not be located; therefore, the actual amount of unaccounted for funds could be higher.
- Receipts totaling \$186, which were issued by the Mayor in February 2018, were not deposited.
- Receipts issued by the Mayor for two Community Center rentals in 2018 were \$85 less than the amount actually received and noted on the rental agreements.

Analysis of the Mayor's personal Water and Sewer Department accounts, for the period December 9, 2016 through March 24, 2020, revealed the following:

- A "Bad Debt Adjustment" was posted on December 9, 2016, to eliminate a delinquent balance of \$315.
- A "Misread Meter Adjustment" was posted on March 29, 2019, to reduce the account balance by \$471. The misreading apparently occurred prior to March 2019, when the Department was using a different computer system. Data from this system were unavailable, so the validity of this adjustment could not be determined.
- Only one payment has been made on the account since March 2019, resulting in a delinquent balance of \$488 as of March 24, 2020.

Status per Prosecuting Attorney: *These matters are currently under investigation by law enforcement.*

City of Strong (Audit Period: 1/1/16 - 12/31/17):

2019 Improper disbursements noted during review of selected expenditures are as follows:

- \$36,201 in expenses and \$516 in vacation leave paid before services were rendered.
- \$5,839 in payments to individuals and businesses without adequate documentation; therefore, the validity of these disbursements could not be determined.
- \$270 in travel-related expenses without a business purpose indicated.

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

City of Strong (Audit Period: 1/1/16 - 12/31/17): (Continued)

- \$182 in undocumented petty cash reimbursements and \$140 in undocumented cash withdrawals.
- \$150 charge assessed by hotel for smoking in room.
- \$60 reimbursement for meals without an overnight stay.

Additionally, ALA staff noted \$15,721 in questionable payments to individuals and businesses that were supported by handwritten invoices not signed by the individual receiving the funds. It appears that many of these invoices were actually prepared by the City.

On December 10, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,700. An outside accounting firm utilized by the City discovered the unauthorized withdrawal upon reconciliation of the affected bank account on April 23, 2019. Due to not being detected timely, the bank will not reimburse the City's funds.

Status per Prosecuting Attorney: *These matters are currently under investigation by law enforcement.*

Union County (Audit Period: 1/1/21 - 12/31/21):

2023 Tax Collector

On October 18, 2021, a cash receipt for \$4,966 in delinquent taxes, penalties, and interest was issued to a taxpayer and subsequently voided by the Deputy Tax Collector. On October 19, 2021, a new cash receipt was issued to this taxpayer for \$3,256, a difference of \$1,710. During an interview with ALA staff on December 5, 2022, the Deputy Tax Collector indicated the receipt was voided so that interest charges could be removed and refunded to the taxpayer via cashier's check; however, documentation of a cashier's check being issued could not be provided. Later the same day, the Deputy Tax Collector deposited \$1,710 in cash and maintained the cash was found in the Tax Collector's vault.

Status per Prosecuting Attorney: *With all monies accounted for, this matter is considered closed.*

Union County (Audit Period: 1/1/17 - 12/31/17):

2018 County Judge

On October 5, 2017, ALA staff observed a local construction company, owned by the father of the County Judge, acquiring loads of gravel at the County Road Department. During the 2017 audit engagement, ALA staff also determined that gravel tickets were not processed for this company on that date; Road Department personnel could not explain this discrepancy.

Status per Prosecuting Attorney: *This matter is currently under investigation.*

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

Union County (Audit Period: 1/1/16 - 12/31/16):

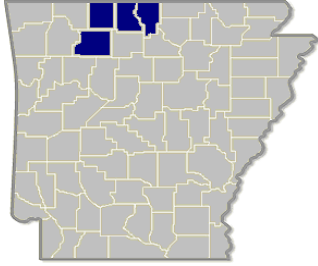
2018 County Judge

According to a Sheriff's Office incident report, cash totaling approximately \$15,000 and tools valued at \$3,000 were stolen from the Road Department shop during a burglary in September 2016. An interview with the Road Foreman and County Judge revealed that the \$15,000 was from the sale of scrap metal. Two Road Department employees, James Davis and Christopher Green, whose employment was terminated on September 21, 2016 and September 22, 2016, respectively, were arrested. Subsequently, both individuals were charged with and pled guilty to commercial burglary and theft of property. Cash totaling \$9,061 and the tools were recovered from these individuals upon arrest. Based on Sheriff's Office reports and interviews with County personnel, the cash was released to the County Judge. However, this cash was never deposited in a County bank account and could not be physically located. On January 24, 2018, the County Judge assumed responsibility for the unaccounted for funds and reimbursed \$9,061 to the County, leaving \$5,939 unaccounted for.

Status per Prosecuting Attorney: *This matter is currently under investigation.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Cleveland County.



Fourteenth Judicial District

Baxter, Boone, Marion, and Newton Counties

Judicial District Population: 104,156
Circuit Judges: 4

David Ethredge
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Baxter County

*Baxter County (Audit Period: 1/1/22 - 12/31/22):

2023 County Judge and County Clerk

The County disbursed funds totaling \$279,189 in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. nos. 1992-099 and 1991-410, respectively:

- \$275,000 to three vendors on behalf of the Mountain Home Saddle Club for rodeo arena equipment without a contract for services.
- \$4,189 to a local grocery store to purchase gift certificates for all employees for Christmas.

Status per Prosecuting Attorney: *Funds for the construction of certain facilities without a written contract were released and approved by the entire Quorum Court; however, a formal agreement was not executed as required by the applicable standards. The County has been advised that all future contracts of this nature shall be subject to appropriate written documentation. There is no criminal intent or loss of county funds that would give rise to any type of prosecution in this matter. The County provided to all County employees food certificates for Christmas. This violation has been addressed and is no longer occurring. The County has been advised that this action is not allowable.*

Boone County

*Town of Zinc (Audit Period: 1/1/20 - 12/31/22):

2023 Mayor

The Town paid \$2,923, \$2,580, and \$2,755 to officials and council members in 2022, 2021, and 2020, respectively, for mowing, repairs, and miscellaneous labor without authorizing ordinances, in noncompliance with Ark. Code Ann. § 14-42-107.

Status per Prosecuting Attorney: *The City has authorized certain City officials and Council members to provide miscellaneous services and labor to the City. This action is not appropriate, and the City has been made aware of the need for ordinances to allow for this type of activity. There is not any indication that the funds used were not for services provided.*

Matters Referred by Legislative Joint Auditing Committee

Marion County

Marion County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge

1. The County disbursed funds totaling \$24,000 without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5:
 - \$12,000 to an employee's spouse for bookkeeping services for the Marion County Fair Board. Additionally, the County did not obtain an authorizing ordinance for these payments, in conflict with Ark. Code Ann. § 14-14-1202.
 - \$8,000 to Marion County Senior Center.
 - \$4,000 to School of New Hope Marion County Special Education Center.

Status per Prosecuting Attorney: *This office allowed for payment of services without appropriate contracts. This activity has been addressed by the Judge to ensure this will not be an issue in the future. There does not appear through the audit report that there were any funds utilized that did not go to the provider shown on the payment record.*

2. A review of selected credit card transactions revealed the following deficiencies:
 - Statements were not properly reconciled monthly to ensure all charges were documented and paid.
 - \$2,241 in undocumented charges.
 - \$1,033 in purchases for which a valid business purpose could not be substantiated. These purchases consisted of:
 - \$271 for t-shirts.
 - \$192 for personalized tumblers.
 - \$281 for food purchased from grocery stores and restaurant meals without overnight travel.
 - \$289 for hotel charges.

A similar finding was issued in the previous report.

Status per Prosecuting Attorney: *There is not an indication of any theft of County funds, only failure to keep necessary records. The County in the new administration has implemented safeguards to avoid a reoccurrence of this matter.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Newton County.



Fifteenth Judicial District

Conway, Logan, Scott, and Yell Counties

Judicial District Population: 72,065
Circuit Judges: 3

Tom Tatum, II
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Yell County

*City of Danville (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor and Recorder/Treasurer

The City paid \$2,800 to have a building removed without filing a lien against the property, in noncompliance with Ark. Code Ann. § 14-54-903. In addition, the City did not pass an ordinance authorizing the removal of the building in noncompliance with Ark. Code Ann. § 14-56-203.

A Kawasaki Mule and a police car were sold to an employee and an employee's mother, respectively, instead of at auction in non-compliance with Ark. Code Ann. § 14-54-302. In addition, the sold assets were not presented to and approved by the City Council.

Status per Prosecuting Attorney: *The PA met with the current Mayor, and he presented the finding to the City Council. The Council and Mayor are fully aware of the issue and have amended their policy so that this does not happen in the future.*

Yell County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge

An analysis of the Sanitation Fund accounts receivable subsidiary ledger revealed that, at December 31, 2021 and 2022, a trash collection vendor owed \$21,360 in sanitation fees that accrued in 2018. The balance due conflicts with Ark. Const. art. 12, §5, which states, in part, "No...County...shall...appropriate money for, or loan its credit to any corporation, association, institution, or individual." A similar finding was issued in the prior three audit reports dating back to 2018.

Status per Prosecuting Attorney: *The PA spoke with the County Judge, and the County has gone to cash-only with vendors. The trash collection vendor noted in the finding has gone out of business, and there appear to be no assets available for civil litigation. The County has amended its policy regarding these types of accounts. The PA does not anticipate this situation will arise in the future and does not intend to take any official action.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Conway, Logan, and Scott Counties.



Sixteenth Judicial District

Cleburne, Fulton, Independence, Izard, and Stone Counties

Judicial District Population: 101,275
Circuit Judges: 4

Drew Smith
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Cleburne County

Heber Springs School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 On October 12, 2022, the District discovered that an employee's payroll direct deposit had been fraudulently diverted to another bank account after the employee contacted the District about not receiving her October direct deposit. It was determined that on September 12, 2022, the District made the direct deposit change after receiving an email request from what appeared to be the employee's email account. The District notified the bank and filed a police report; however, the fraudulent transaction resulted in a \$2,483 loss to the District.

Status per Prosecuting Attorney: *The PA spoke with local law enforcement and elected not to pursue any type of criminal charge. It appears any conduct on behalf of the District was not malicious, and law enforcement could not identify the suspect who perpetrated the fraudulent account transfer request.*

Izard County

Izard County Consolidated School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 The District failed to establish proper internal controls related to school credit card accounts. The deficiencies noted were the result of District personnel not reconciling monthly credit card statements to the related supporting documentation. As a result, the following was noted:

- \$7,885 in undocumented expenses.
- \$2,276 in expenses without proper documentation.

In addition, expenses totaling \$5,247 were not paid timely which resulted in interest charges and fees.

Status per Prosecuting Attorney: *Based on an investigation by the Izard County Sheriff, the PA does not believe criminal charges are warranted. A new employee has been hired, and the District has implemented new procedures to monitor the credit card account on a month-to-month basis.*

Matters Referred by Legislative Joint Auditing Committee

Stone County

Stone County (Audit Period: 1/1/19 - 12/31/19):

2021 Sheriff

Our review of Sheriff's Office bank accounts and selected disbursements from January 1, 2019 through June 4, 2020, revealed improper and questionable transactions totaling \$70,545 due to a general lack of oversight and internal controls within the Sheriff's Office. Many of the questionable purchases detailed below appear to be for items without a business purpose, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5. A similar finding was noted in the prior report.

- A. \$15,729 in unaccounted for equipment and gun purchases:
 - \$9,939 for guns, accessories, and ammunition reloading equipment.
 - \$5,790 for miscellaneous small equipment items (shooting equipment, 55" TV, Oakley sunglasses, body armor, fencing materials, propane cooker, small hand tools, external hard drive, cooler, storage containers, game cameras, small kitchen appliances, tool box, iPhone, and hunting gear).
- B. \$12,033 in purchases without a documented business purpose or proper authorization by the Sheriff:
 - \$4,189 for building materials, tools, wiring supplies, and boat and automotive parts.
 - \$3,776 for miscellaneous small equipment items (shooting equipment, tiki torches, Apple watch, propane heaters, shop vac, laptop computer, game cameras, gun scopes, range finders, and iPad).
 - \$2,358 for personal clothing.
 - \$1,269 for food primarily from grocery stores and miscellaneous household items.
 - \$441 for fuel.
- C. \$8,640 in unallowable and unauthorized purchases:
 - \$8,237 for gun accessories and night vision goggles paid for in February 2020, although the County did not receive the items; subsequently, in June 2020, a Sheriff's Office employee reimbursed this amount to the County and indicated the order had been cancelled.
 - \$403 for a spotting scope purchased from the Boating Safety Fund. This purchase was not authorized by the Sheriff and was not an allowable expense from this fund.
- D. \$6,144 in purchases with questionable documentation:
 - \$2,771 for ammunition supported by two invoices that did not match other invoices from the same vendor.

Matters Referred by Legislative Joint Auditing Committee

Stone County (Continued)

Stone County (*Audit Period: 1/1/19 - 12/31/19*): (Continued)

- \$2,000 for a training course with documentation we could not verify as valid. Additionally, an employee documented as a course participant indicated that he did not attend and was unaware of the course.
 - \$1,238 in duplicate credit card payments.
 - \$135 that appears to have been altered on an invoice.
- E. \$4,046 in undocumented disbursements for items purchased from various vendors. Although some of these purchases were from vendors normally used, without adequate documentation the business purpose could not be substantiated.
- F. \$5,700 in drug buy funds withdrawn from the Sheriff's Office Investigative Funds bank account, in April 2019 and January 2020, without proper authorization. Of this amount, \$4,750 was returned to the Sheriff's Office in cash by a Sheriff's Office employee on March 2, 2020. The remaining \$950 was unaccounted for as of report date.
- G. A \$5,000 bond refund paid to a released jail inmate from the municipal bond account on the instructions of a Sheriff's Office employee on January 31, 2020, although the inmate was not owed the refund. Sheriff's Office staff subsequently obtained documentation from the employee's County email account of a vehicle purchased by both the employee and the released jail inmate six days after bond refund, with a vehicle owned by the Sheriff's Office employee listed as trade-in on the vehicle purchased. The employee's email account also contained documentation of other payments to the inmate from the employee's personal bank accounts.

We also noted other improper and questionable transactions related to Sheriff's Office credit card usage and transactions as listed below:

- A. \$4,742 in Sheriff's Office credit card payments not paid through the claims process, as required by Ark. Code Ann. § 14-14-1102:
- \$4,597 paid from the municipal bond account on December 24, 2019. As of January 31, 2020, the municipal bond account was short \$9,907 as a result of this payment, the \$5,000 questionable bond refund noted above, and a \$310 unidentified variance. In February 2020, the account was overdrawn as a result of a \$6,318 disbursement made in error to another Sheriff's Office account that was subsequently refunded.
 - \$145 paid in cash by a Sheriff's Office employee in March 2020.
- B. \$7,733 in unpaid credit card charges:
- \$6,840 in documented charges:

Matters Referred by Legislative Joint Auditing Committee

Stone County (Continued)

Stone County (Audit Period: 1/1/19 - 12/31/19): (Continued)

- \$3,090 for guns that were not accounted for.
- \$3,004 for apparent personal purchases made by an employee.
- \$746 in charges that appear to be valid office expenses.
- \$893 in undocumented charges:
 - \$309 payment on the Sheriff's Office fuel card.
 - \$284 in purchases at a farm and home store.
 - \$142 for fuel.
 - \$122 for lodging.
 - \$36 in purchases at a grocery store.
- C. \$778 in late fees and finance charges incurred on Sheriff's Office credit cards and charge accounts with local vendors.

County officials indicated some of the purchased items in question were returned to the County by a Sheriff's Office employee after his suspension and subsequent resignation in March 2020. These matters are currently being investigated by the Arkansas State Police.

Status per Prosecuting Attorney: *It is believed that the bulk of the audit findings are the responsibility of former Chief Deputy Zachary Alexander. A cashier's check for \$25,000 has been tendered to the County Judge by representatives of Alexander. It is the PA's understanding that the cashier's check is currently in the possession of the Arkansas State Police. Alexander was indicted in federal court in May 2022 on charges of bank fraud, selling a stolen firearm, and extortion. This case is pending.*

Stone County (Audit Period: 1/1/18 - 12/31/18):

2019 ALA review of selected Sheriff's Office expenses from January 1, 2018 through May 1, 2019, revealed the following deficiencies:

Questionable Business Purpose

- \$407 to a hotel for a one-night stay for an employee. The date of the stay coincided with dates of a Sheriff's conference that other employees attended; however, ALA staff were unable to determine if this employee was registered for or attended the conference.
- \$458 for hotel rooms for two employees. The date and location of the stay coincided with the date and location of the high school basketball state tournament finals. An employee informed ALA that a local school district Superintendent requested the Sheriff's Office provide security for local teams; however, ALA staff confirmed with the Superintendent that no such request was made, and the district's resource officers provided security.

Documentation Discrepancies

- An employee submitted an apparently falsified invoice totaling \$3,132 to the County Clerk to conceal the purchase of an M-24 rifle.

Matters Referred by Legislative Joint Auditing Committee

Stone County (Continued)

Stone County (*Audit Period: 1/1/18 - 12/31/18*): (Continued)

- An employee submitted an apparently altered invoice for payment of a \$460 hotel charge that did not agree with the invoice provided by the vendor; however, the total amount paid to the hotel was correct.

Furthermore, ALA staff noted undocumented purchases of \$134.

Status per Prosecuting Attorney: Subsequent to an investigation by Arkansas State Police and the Federal Bureau of Alcohol, Tobacco, and Firearms, former Chief Deputy Zachary Alexander was indicted in federal court in May 2022 on charges of bank fraud, selling a stolen firearm, and extortion. This case is pending.

Town of Fifty-Six (*Audit Period: 1/1/20 - 12/31/21*):

2023 Mayor and Recorder/Treasurer

We noted the following discrepancies during payroll testing:

Recorder/Treasurer

- Wages reported on Internal Revenue Service (IRS) Form W-2 were understated by \$595 and \$978 in 2021 and 2020, respectively.
- Wages exceeded authorized amounts by \$2,415 and \$1,578 in 2021 and 2020, respectively.

Mayor

- Wages reported on IRS Form W-2 were understated by \$203 and \$1,200 in 2021 and 2020, respectively.
- Wages exceeded authorized amounts by \$753 and \$1,050 in 2021 and 2020, respectively.

Street Superintendent

- Wages reported on IRS Form W-2 were understated by \$800 in 2020.
- Wages paid from the Street Fund were \$4,400 more than authorized by the budget in 2020.

Status per Prosecuting Attorney: Arkansas State Police investigated these matters, which appear to be a simple oversight with regard to reporting of wages and record-keeping. These issues have been addressed and resolved. The PA sees no criminal conduct and will not be moving forward with any type of criminal charge.

Note: No matters were referred for Fulton and Independence Counties.



Seventeenth Judicial District

Prairie and White Counties

Judicial District Population: 85,342
Circuit Judges: 3

Rebecca Reed McCoy
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Prairie County

*City of DeValls Bluff (*Audit Period: 1/1/22 - 12/31/22*):

2023 Fire Chief

The City discovered that Fire Department Chief, Kelly Hutchinson, received \$4,100 in proceeds from a firework fundraiser and only submitted \$689 for deposit, leaving \$3,411 unaccounted for. Subsequently, the Fire Chief was charged with theft of property regarding the unaccounted for fundraiser proceeds.

In addition, the Fire Department sponsored a corn hole tournament as a fundraiser, and the Fire Chief utilized the City's credit card to purchase food items totaling \$652 to be sold at a concession stand during the fundraising event. Due to inadequate documentation for both events, we were unable to determine if the fundraising proceeds were accounted for or if the food purchased was utilized properly.

Furthermore, the City determined the Fire Chief used the Department's fuel card to make unauthorized purchases totaling \$668. We were able to substantiate a potential business purpose for \$297 of the purchases, leaving \$371 as questionable.

Status per Prosecuting Attorney: Kelly Hutchinson entered a negotiated plea of guilty to felony theft of property; was sentenced to 60 months probation; and was ordered to pay restitution of \$3,800 and fees and costs of \$280.

White County

City of Kensett (*Audit Period: 1/1/21 - 12/31/21*):

2023 Recorder/Treasurer and Police Chief

A review of the Police Chief's payroll records revealed that his time sheets were not approved, and he received overpayments totaling \$5,624, \$35,711, and \$25,441 in 2023, 2022, and 2021, respectively, due to the following:

- Salary payments that exceeded budgeted amounts.
- Vacation leave without a policy.
- Excess holiday compensation, in noncompliance with Ark. Code Ann. § 14-52-105.

Matters Referred by Legislative Joint Auditing Committee

White County (Continued)

City of Kensett (Audit Period: 1/1/21 - 12/31/21): (Continued)

It should be noted that the Police Chief was compensated at "time and a half" for overtime hours paid within the pay period worked and at the regular hourly rate for accumulated compensatory time paid at a later date upon his request, with the exception of 30 hours paid at the regular hourly rate on February 16, 2023.

In addition, the Police Chief was paid for 524 and 271 hours of unused compensatory time in 2022 and 2021, respectively, in excess of available balances and without an authorizing policy.

Status per Prosecuting Attorney: *The PA sent a letter of caution to the Mayor and recommended the City implement additional safeguards to prevent this situation from reoccurring.*

Police Chief

Accounting records for the Police Drug-Buy Fund, maintained as a "cash" fund, indicated \$1,000, \$3,300, and \$3,000 received and disbursed for drug buys in 2023, 2022, and 2021, respectively; however, a review of the Arkansas Drug Director's Asset Seizure Tracking System indicated no confiscation reports were filed by the Police Department for these years, as required by Ark. Code Ann. § 5-64-505. The Police Chief is custodian of these funds.

The Police Department (Department) discovered seized currency of \$6,723 missing from the Department evidence room on September 29, 2020. After conducting an investigation, Arkansas State Police were unable to determine the individual(s) responsible for the missing cash and requested that the Department conduct an internal audit of the evidence room. The subsequent report, issued by the Department in November 2020, revealed six seized firearms were also missing.

Status per Prosecuting Attorney: *John Allen Pollard was charged with felony theft of property and abuse of office. A pre-trial hearing is pending.*

*City of Pangburn (Audit Period: 1/1/22 - 12/31/22):

2023 Mayor and Recorder/Treasurer

The Recorder/Treasurer was overpaid a total of \$4,356, for salary payments in excess of budget (\$1,875) and for performance of Court Clerk duties without Council approval (\$2,481).

Recorder/Treasurer

The City sold two vehicles during an auction held to dispose of seized assets. According to the bills of sale for the vehicles, auction proceeds totaled \$1,875; however, these funds were not deposited into a City account. We were unable to determine the custodian of these funds.

Status per Prosecuting Attorney: *The PA sent a letter of caution to the Mayor; there is insufficient information to file criminal charges at this time.*

Matters Referred by Legislative Joint Auditing Committee

White County (Continued)

White River Used Tire Program (Audit Period: 7/1/21 - 8/31/22):

2023 The Program purchased a trailer from a Board member for \$3,000, in noncompliance with Ark. Code Ann. § 21-8-1001.

Status per Prosecuting Attorney: Management provided a sufficient response setting out the remedial actions to be taken by the Board. There is not an issue of criminal conduct in this area.

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Eighteenth Judicial District-East

Garland County

Judicial District Population: 100,330
Circuit Judges: 4

Michelle Lawrence
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Garland County

Department of Public Safety (*Audit Period: 7/1/20 - 6/30/21*):

2023 As required by Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, the Agency notified Arkansas Legislative Audit (ALA) of the following theft of state property:

Between February 10 and February 11, 2021, a Stinger flashlight and a tactical vest (body armor) were stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was \$855.

Status per Prosecuting Attorney: *No suspects have been identified, and the items have yet to be recovered. There are no pending warrants, arrests, or prosecutions regarding this matter. Should suspects be identified, the State would consider the possibility of arresting and prosecuting said suspects.*

*National Park College (*Audit Period: 7/1/21 - 6/30/22*):

2023 In June 2022, the College discovered, and we confirmed, six unauthorized payments from the College's payroll account due to six employees' direct deposit data being compromised and routed to an unknown bank account. Gross and net wage amounts of these payments totaled \$10,678 and \$7,317, respectively. An investigation into these matters is ongoing, and the College has not recovered these funds.

Status per Prosecuting Attorney: *The PA requested an investigation by the Garland County Sheriff's Office.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Eighteenth Judicial District-West

Montgomery and Polk Counties

Judicial District Population: 27,964
Circuit Judges: 1

Debra Buschman
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Polk County

*University of Arkansas Community College at Rich Mountain (*Audit Period: 7/1/22 - 6/30/23*):

2023 The University of Arkansas System Internal Audit Department (IAD) conducted an audit of Procurement Card (P Card) transactions made by the University of Arkansas Community College at Rich Mountain (UACCRM) HVAC/Housekeeping Supervisor for the period June 15, 2022, through June 30, 2023. UACCRM management identified 132 transactions totaling \$102,382 that appeared to be fraudulent. These transactions were determined to be unallowable purchases, equipment missing from physical inventory, or items charged to UACCRM through a Square account for the HVAC/Housekeeping Supervisors personal business. IAD performed detailed testing on 235 P-Card transactions totaling \$131,313, and 132 expense line items, totaling \$25,143 made by the HVAC/Housekeeping Supervisor and confirmed the \$102,382 identified by UACCRM management as fraudulent. On April 28, 2023 the HVAC/Housekeeping Supervisor was terminated from employment.

Status per Prosecuting Attorney: Michael Beck, HVAC Supervisor, pled guilty to Fraudulent Use of a Credit Card and was sentenced to 24 months in Community Corrections and 180 months probation. He was ordered to pay fines and fees of \$3,256 and restitution of \$103,000.

The Bond Trust Fund paid \$99,882.

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Montgomery County.



Nineteenth Judicial District-East

Carroll County

Judicial District Population: 28,435
Circuit Judges: 1

Tony Rogers
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Carroll County

*Carroll County Regional Solid Waste Management District (*Audit Period: 7/1/20 - 12/31/21*):

2023 In 2021, the Carroll County District paid \$11,413 to the Executive Director's spouse for cleaning and miscellaneous services without Board approval.

Status per Prosecuting Attorney: *This appears to be a violation of state purchasing laws but not state criminal statutes.*

*Town of Beaver (*Audit Period: 1/1/20 - 12/31/22*):

2023 Mayor

In 2022, the Town paid \$1,540 to the Mayor for park attendant services and \$4,770 to the spouse of the Mayor for bookkeeping and park attendant services. These payments were made without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

Status per Prosecuting Attorney: *This appears to be a violation of state purchasing laws but not state criminal statutes.*

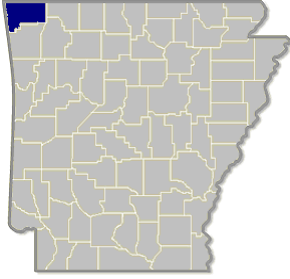
*Town of Blue Eye (*Audit Period: 1/1/20 - 12/31/22*):

2023 Mayor

In 2020, the Town paid \$1,180 and \$800 to the Mayor and a Council member, respectively, for mowing without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

Status per Prosecuting Attorney: *This appears to be a violation of state purchasing laws but not state criminal statutes.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Nineteenth Judicial District-West

Benton County

Judicial District Population: 293,692
Circuit Judges: 7

Nathan Smith
Prosecuting Attorney

Joshua Robinson
Interim Prosecuting Attorney
(Beginning October 2023)

Matters Referred by Legislative Joint Auditing Committee

Benton County

City of Centerton (*Audit Period: 1/1/21 - 12/31/21*):

2022 Mayor

In late 2021, City personnel were made aware of questionable expenditures made by the former Public Works Director (Director), and the Centerton Police Department (Department) investigated this matter. Subsequently, the Director was charged, on December 16, 2021, with felony theft of property and fraudulent use of a credit or debit card in the amount of \$62,190. Our review of selected transactions included in the charged amount and select Public Works expenditures not included in the charged amount revealed an additional \$1,850 in expenditures that the Department identified as questionable.

Status per Prosecuting Attorney: *Ricky Hudson, Public Works Director, pled guilty to felony theft of property and fraudulent use of a credit card; was sentenced to 60 months probation; and was ordered to pay restitution of \$62,190 and fines, fees, and costs of \$1,440. Defendant was to pay restitution in full within 48 hours of this plea as a condition of his probation.*

Gravette School District (*Audit Period: 7/1/21 - 6/30/22*):

2023 The District paid \$9,152 to an employee for various painting projects without obtaining a Board resolution, as required by Ark. Code Ann. § 6-24-107.

Status per Prosecuting Attorney: *It appears this action was not undertaken with criminal intent; therefore, charges will not be pursued.*

Matters Referred by Legislative Joint Auditing Committee

Benton County (Continued)

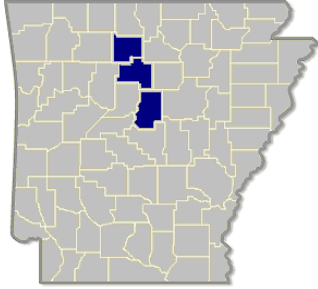
*Town of Avoca (Audit Period: 1/1/20 - 12/31/22):

2023 Mayor

In 2022, 2021, and 2020, the City paid \$46,000, \$21,200, and \$10,300, respectively to the Avoca Volunteer Fire Department. These payments were made without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5.

Status per Prosecuting Attorney: *It is the PA's understanding that the Town has corrected the error and followed ALA's recommendation to renew its contract with the Fire Department. Additionally, the Town intends to maintain a written contract moving forward. Therefore, criminal charges are neither warranted nor serve the interests of justice.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.



Twentieth Judicial District

Faulkner, Searcy, and Van Buren Counties

Judicial District Population: 148,680
Circuit Judges: 5

Carol Crews
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Faulkner County

City of Mayflower (*Audit Period: 1/1/22 - 12/31/22*):

2023 Mayor

The City notified Arkansas Legislative Audit that \$8,850 was paid to a business owned by a member of the Planning Commission without an authorizing Ordinance. This transaction appears to be in conflict with Ark. Code Ann. § 14-42-107.

Status per Prosecuting Attorney: *The PA sent a letter of caution to the Mayor. Finding no criminal intent, the PA will take no further action.*

City of Vilonia (*Audit Period: 1/1/17 - 12/31/17*):

2018 Mayor and Recorder/Treasurer

According to City personnel, questionable credit card charges (\$1,206) made in September and October 2016 and related interest (\$54) were noted on a credit card in the custody of the Park Director. While this employee stated he was not responsible for these charges, the City did not substantiate this statement and paid the credit card company \$1,206 on January 26, 2017. Based on ALA's internet search, the phone number associated with this vendor is considered a suspicious, unsafe number.

Status per Prosecuting Attorney: *The PA requested an investigation by the Faulkner County Sheriff's Office and has yet to receive an investigative file.*

*Faulkner County Regional Solid Waste Management District (*Audit Period: 7/1/20 - 12/31/21*):

2023 The following three payroll items were not properly approved by the Board:

- Payments totaling \$41,261 made to employees' family members.
- Bonuses totaling \$2,108 paid to the Director, Office Manager, Administrative Assistant, and Recycling Collector.
- Salary and wage rates.

The Faulkner County District disbursed \$792 for deluxe meat boxes given to Board members, staff, and other individuals, in noncompliance with the public purpose doctrine and Op. Att'y Gen. no. 2012-094. The Office Manager subsequently reimbursed the District \$250.

Matters Referred by Legislative Joint Auditing Committee

Faulkner County (Continued)

Faulkner County Regional Solid Waste Management District (Audit Period: 7/1/20 - 12/31/21):
(Continued)

Status per Prosecuting Attorney: *The PA sent a letter of caution to the District Board, advising them of the importance of following statute and using taxpayer money properly. Due to no criminal intent, no further action will be taken.*

Guy-Perkins School District (Audit Period: 7/1/21 - 6/30/22):

2023 On November 10, 2022, the District discovered that an employee's payroll direct deposit of \$2,781 was fraudulently diverted to another bank account after the employee contacted the District about not receiving her payroll direct deposit. On November 4, 2022, the District made the direct deposit change request after receiving an email that appeared to be from the employee's email account. The District was unable to recover the funds.

Status per Prosecuting Attorney: *An investigation determined the transfer of funds was fraudulent and was done by someone out of state. There is an ongoing investigation to try to determine if a prosecution can be commenced, but there was no fault on behalf of the School District. They have taken measures to ensure this won't happen again.*

Searcy County

Searcy County (Audit Period: 1/1/21 - 12/31/21):

2023 County Judge

The County Judge was reimbursed twice for a \$2,468 purchase made on a personal credit card. As of report date, the Judge had not reimbursed the County. A similar finding was noted in the previous report.

Status per Prosecuting Attorney: *A Special Prosecutor was appointed to this case.*

Status per Special Prosecuting Attorney: *The Special Prosecutor found no evidence that the County Judge knew he had been doubly reimbursed until the audit was completed. Once he was notified, he repaid the funds. Criminal charges will not be pursued in this matter.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

Note: No matters were referred for Van Buren County.



Twenty-first Judicial District

Crawford County

Judicial District Population: 60,378
Circuit Judges: 3

Kevin Holmes
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Crawford County

Crawford County (Audit Period: 1/1/21 - 12/31/21):

2023 County Clerk

It came to our attention that on December 22, 2021, the County initiated a payroll direct deposit of \$1,031 to a fraudulent checking account after receiving an email request to change an employee's direct deposit information. The funds were sent to the fraudulent account on December 24, 2021, and County personnel discovered the email was fake. The County notified law enforcement and its banking institution but was unable to recover the funds.

Status per Prosecuting Attorney: *While the incident shows very poor choices by the employee of the County Clerk's office, the PA did not find any criminal activity at the hands of the County Clerk or the employee. The PA discussed this matter with the newly elected County Clerk, and she has outlined safety measures now in place to prevent this type of activity in the future. The PA has also been in touch with law enforcement about their investigation and to date, they have been unable to track down the individual(s) who received this money.*

Twenty-first Judicial District (Audit Period: 1/1/20 - 12/31/20):

2021 The Office had 13 and 14 vehicles for use by law enforcement agencies within the Drug Task Force (DTF), as well as by the Prosecutor and Deputy Prosecutors, during 2019 and 2020, respectively. Although the DTF had a vehicle policy, it did not require usage logs to corroborate a business purpose for vehicle use.

In addition, during 2019 and 2020, 11 credit cards were assigned to Office employees as follows: one to the Prosecutor, eight to Deputy Prosecutors, and two to members of the 12th/21st Judicial District DTF. Our review of credit card statements indicated inadequately documented charges totaling \$7,378, \$2,291, and \$920 for 2019, 2020, and the first two months of 2021, respectively. These charges totaling \$10,589 are listed below:

- \$3,659 charged at hotels.
- \$3,304 for purchases at gas stations.
- \$1,381 charged at vehicle rental vendors.
- \$1,215 charged at miscellaneous vendors.

Matters Referred by Legislative Joint Auditing Committee

Crawford County (Continued)

Twenty-first Judicial District (Audit Period: 1/1/20 - 12/31/20): (Continued)

- \$673 charged at restaurants.
- \$347 for nonbusiness items that were subsequently reimbursed by the card user.
- \$10 for a gift card.

Status per Attorney General: *After conducting interviews with office staff and reviewing available documentation, it was determined the matter involving the credit cards was a result of inadequate records being maintained. Subsequent audits by Legislative Audit have revealed both of the matters addressed in the 2020 audit have been resolved. This case is closed without any further action warranted.*



Twenty-second Judicial District

Saline County

Judicial District Population: 125,233
Circuit Judges: 4

Chris Walton
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Note: No matters were referred for Saline County.



Twenty-third Judicial District

Lonoke County

Judicial District Population: 74,712
Circuit Judges: 3

Chuck Graham
Prosecuting Attorney

Matters Referred by Legislative Joint Auditing Committee

Lonoke County

*City of Lonoke (Audit Period: 1/1/22 - 12/31/22):

2023 The City discovered that an employee's payroll direct deposit had been fraudulently diverted to another bank account after the employee contacted the City about not receiving his payroll direct deposit. It was determined that on September 9, 2022, the City made the direct deposit change request after receiving an email from what appeared to be the City employee's email account. This transaction resulted in a \$1,524 loss to the City.

Status per Prosecuting Attorney: *At this time, no criminal charges will be filed due to a lack of evidence of who initiated the fraudulent email that led to the misdeposited money.*

*Pursuant to Ark. Code Ann. § 10-4-419, as amended by Act 632 of the Regular Session of 2023, this matter was referred to the Prosecuting Attorney and the Attorney General.

APPENDICES

Appendix A – Arkansas Code Annotated § 10-4-419 – Report of Improper Practices

Appendix B – Memorandum of Understanding

Appendix A

Arkansas Code Annotated § 10-4-419 Reporting of Improper Practices

10-4-419. Report of improper or illegal practices.

(a) (1) If an audit report presented to the Legislative Joint Auditing Committee or the appropriate standing subcommittee of the Legislative Joint Auditing Committee reflects evidence of improper practices of financial administration or inadequacy of fiscal records, the Legislative Auditor shall report the evidence to the appropriate executive official or officials affected thereby and to the governing body of the entity of the state or political subdivision of the state.

(2) If the findings relate to an entity of the state, the Legislative Auditor shall also report the findings to the Chief Fiscal Officer of the State and the Attorney General.

(3) If the findings relate to a prosecuting attorney's office, the Legislative Auditor shall also report the findings to the Attorney General for review and appropriate action.

(b) (1) If an audit report presented to the Legislative Joint Auditing Committee or the appropriate standing subcommittee of the Legislative Joint Auditing Committee reflects evidence of apparent unauthorized disbursements or unaccounted-for funds or property by a public official or employee, the Legislative Auditor shall promptly report the transactions in writing to the prosecuting attorney for the county in which the entity of the state or the political subdivision of the state is located, the Governor, the Attorney General, the appropriate executive official or officials affected thereby, and the governing body of the entity of the state or political subdivision of the state.

(2) If the findings relate to an entity of the state, the Legislative Auditor shall also report the findings to the Chief Fiscal Officer of the State.

(c) (1) The Legislative Auditor shall notify and cooperate with the appropriate prosecuting attorney and the Attorney General on all matters that appear to involve a criminal offense.

(2) Upon request and with the approval of the cochairs of the Legislative Joint Auditing Committee, the Legislative Auditor shall cooperate in any other investigations by the appropriate prosecuting attorney, the Attorney General, the Division of Arkansas State Police, or any other state or federal law enforcement agency.

(d) (1) While the Legislative Joint Auditing Committee is not established as an agency to effect through its own direct action the correction of improper practices of financial administration or the inadequacy of fiscal records, the prosecution of defaulting public officials, or the improvement of accounting systems in any entity of the state or political subdivision of the state, it is nevertheless determined that the action or nonaction on the part of the appropriate public officials in respect to the correction of the matters when called to their attention or in respect to the institution of criminal proceedings where proper, has pertinent bearing upon the question of the necessity for future remedial legislation.

(2) It is for this reason that the Legislative Joint Auditing Committee is authorized to inform public officials to the extent provided by law of the findings of the Legislative Auditor in respect to any such matters.

(e) (1) If the Legislative Joint Auditing Committee determines that an entity of the state or a political subdivision of the state has not corrected the deficiencies noted in one (1) or more previous reports, the Legislative Joint Auditing Committee may request the prosecuting attorney of the judicial district in which the entity of the state or the political subdivision of the state is located to take appropriate action to assure that the records of the entity of the state or the political subdivision of the state are maintained in accordance with law.

(2) If the prosecuting attorney fails or refuses to take appropriate action within a reasonable time after receipt of notice from the Legislative Joint Auditing Committee that an entity of the state or a political subdivision of the state is not maintaining its records in substantial compliance with law, the Legislative Joint Auditing Committee may request the Attorney General to take such appropriate action as may be necessary to assure that the records of the entity of the state or political subdivision of the state are maintained in compliance with law.

(f) (1) By June 30 of each year, the Attorney General and each prosecuting attorney to whom the Legislative Joint Auditing Committee or the Legislative Auditor has reported a matter under this section shall file with the Legislative Joint Auditing Committee a disposition report on the status of the matters that have not been previously reported as resolved to the Legislative Joint Auditing Committee.

(2) A disposition report shall address all matters that have not been previously reported as resolved under subdivision (f)(1) of this section prior to and during the preceding calendar year.

(3) A disposition report shall include without limitation:

- (A)** The date the matter was reported to the Attorney General or the prosecuting attorney;
- (B)** The amount of loss or funds unaccounted for in connection with the matter;
- (C)** The status or disposition of the matter; and
- (D)** Other comments pertinent to the investigation or disposition of the matter.

History:

Acts 2005, No. 2201, § 7; 2009, No. 446, § 1; 2015, No. 554, § 20; 2023, No. 632, § 1.

MEMORANDUM OF UNDERSTANDING

WHEREAS, crime of all types is one of the primary problems in our state, and,

WHEREAS, violent crimes involving murders, child rapes, domestic abuse and drug labs, sales and the damage that flows therefrom plague our society, there also exists a class of crimes known as “white collar crimes” which undercut the framework of our way of life to a much greater degree than is commonly recognized; and,

WHEREAS, there are three organizations who must work together in order to successfully identify, stop and punish those who would use their positions of public trust to commit theft: the Division of Legislative Audit, the Arkansas State Police and attendant assisting law enforcement agencies, and the Prosecuting Attorneys of the State of Arkansas; and,

WHEREAS, heretofore these agencies have interacted on a case by case basis and enjoyed certain successes evidenced by the tens, if not hundreds of thousands of dollars assessed and recovered, in spite of the fact that this interaction has not been formalized, neither has any form of document setting forth general, flexible terms of cooperation providing a basis for reasonable expectations as to how these agencies will deal with those situations previously existed; and,

WHEREAS, the Legislative Joint Auditing Committee at its June 9, 2006, meeting correctly identified the need for such an agreement, or Memorandum of Understanding, such as this document, which shall hereinafter be referred to as the “MOU”, representatives of the Division of Legislative Audit and the Prosecution Coordination Commission met, discussed the obvious, threshold issues facing such an agreement, involved the Arkansas State Police and have generated this document which addresses the following considerations which commonly present themselves in the function of an audit and set forth the guidelines to which the signatory agencies will adhere, with the stated understanding that the spirit of this document will control, the recognition that all situations cannot be anticipated, but with the hope that this first written MOU between the three involved agencies will streamline the audit, investigation and prosecution of fraud and theft in the public sector, clarify the appropriate areas of responsibility and provide a basis for cooperation from which the taxpayers, with whose money we deal, will benefit.

MEMORANDUM OF UNDERSTANDING

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To wit, the following situations are identified as triggering events which will require the Division of Legislative Audit to notify the relevant Elected Prosecutor of suspected criminal activity in order to allow him or her to exercise their Constitutionally conferred discretion and authority:

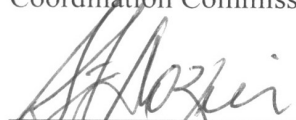
1. Where the amount of money misappropriated exceeds \$2,500;
2. Where the amount of money misappropriated is in excess of \$500 and there is a probability of continuing loss;
3. Where the possibility of physical harm, witness tampering or the probability of evidence tampering exists; or
4. Whenever an interview wherein an admission or confession to criminal activity is reasonably anticipated (i.e. "an admission seeking interview").

IT IS SO AGREED that this Memorandum of Understanding shall provide a flexible, evolving basis for the manner in which the Division of Legislative Audit, in the performance of its inquiries into the accounting functions of the agencies for which they are responsible, the manner in which the Prosecuting Attorneys shall respond to indications of theft and make their determination as to whether and what law enforcement agencies will become involved in order to develop a prosecutable case, should same be possible, and determine the manner with which it should be dealt, consistent with the goals and ideals set forth in this document, setting forth clear areas of responsibility, authority and communication.



David Gibbons
Chairman, Prosecution
Coordination Commission

10 July 06
Date



Col. Steve Dozier
Director, Arkansas State Police

07/12/06
Date



Charles Robinson
Legislative Auditor
Division of Legislative Audit

7/7/06
Date

