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INVESTIGATION UNCOVERS MILLIONS MISMANAGED IN SURPRISE

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ZACH COLICK, DAILY NEWS-SUN |

The Surprise City Council will discuss options Thursday night on how best the city can recover financially after a city investigation uncovered that former city officials mismanaged millions of dollars over the course of the past decade to pay for the new City Hall Complex.

Scott McCarty, the city's chief financial officer, who helped discover the bookkeeping error, will provide council members with recommendations on how to recover all \$61 million that was misspent over the course of the past decade to help pay for Surprise's new municipal complex.

Mayor Lyn Truitt said he would not support any recommendations that would levy taxes on residents to recover lost impact fee monies that were not spent properly.

"That's the farthest thing from my mind," Truitt said Tuesday during a telephone interview.

Issues center on the city's mishandling of impact fees paid by builders for new construction. Impact fees should have paid for more than half of the project. Instead, city officials pulled money from the capital-improvement fund to pay the entire \$61 million cost.

In essence, Surprise spent money it never had in the first place.

"The city grew exponentially during the past decade and we didn't act correctly," Truitt said.

The accounting error, which was discovered by McCarty and an outside auditor, took place during a time of tremendous growth for Surprise, when the city grew from a sleepy farming community of 30,000 people to a burgeoning metropolis of 100,000.

Truitt said Surprise needed a larger city hall to support the influx of new residents. The large, desert-toned City Hall complex replaced the former municipal building near Bell and El Mirage roads that had become antiquated and cramped after serving the community for many years.

Surprise officials say poorly trained finance employees, who are no longer working for the city, are to blame. They are accused of shuffling money from one account to another to pay for projects the city couldn't afford or should have borrowed money to build.

The decision depleted the capital improvement projects fund, used to upgrade roads, renovate buildings and make other repairs across the city.

Surprise leaders must now borrow from other city accounts to cover shortfalls and come up with nearly \$73 million that was wrongly allocated to build City Hall, the police and fire headquarters, recreation facilities and other projects.

While acknowledging mistakes were made, Truitt said shouldering the blame on any one person would be difficult, divisive and unproductive.

"The goal is to uncover the problems and not be punitive," he said, noting no criminality seems to have occurred.

Surprise began restructuring its financial division more than a year ago, with the hiring of McCarty and an outside auditor.

Truitt has commended McCarty, who came from the city of Scottsdale, and his expertise in helping to identify financial irregularities and bringing a more transparent feel to city proceedings.

Some of McCarty's findings were presented early last month to council members and the public during a work session. Discussions will continue this week and into the future on how best to rectify the financial woes.

The Associated Press contributed to this report.

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