

## City of Surprise audit details misspending is \$73 million

by **Dustin Gardiner** - Feb. 24, 2011 12:00 AM  
 The Arizona Republic

Surprise released an audit Wednesday detailing its misspending of millions of dollars to build a sleek City Hall complex and revealing improper handling of **bond** funds.

Much of the 126-page report focuses on nearly \$73 million that was improperly used to pay for the new City Hall and other projects, such as police and fire headquarters and a recreation campus. The errors occurred over the past decade as Surprise's population boomed and the city struggled to keep up.



### Read the audit

The city's chief financial officer, Scott McCarty, could not be reached for comment on Wednesday. City officials planned to meet with the media today to discuss the audit. had sought to have the draft audit released since November and had asked a Maricopa County Superior Court judge to order the city to release the document. The audit provided findings and recommendations by Red Oak Consulting, which began auditing the city's impact fees and bonds early last year:

The Arizona Republic

- The capital-improvement **fund**, which is supposed to pay for building upgrades and other repairs, was drained to finance the \$61

million City Hall. At the time, city leaders bragged they had "paid cash" for the project, not realizing the money would have to be repaid.

More than half of City Hall, \$34 million, should have been funded by impact fees. Fee revenue during the years the building was under construction was less than \$9 million and went toward other projects, the audit states.

- Transfers among impact-fee **funds** and bond funds often weren't properly recorded or had no supporting documentation. Typically, city accountants must provide detailed journal entries to keep track of transfers. The city was advised to keep a clear record.

- One account was being used to combine proceeds from separate bond issues. The commingling of funds obscured a \$3.4 million deficit in one fund.

- A bond from 2007 had a reserve that was about \$200,000 less than required by the bond's covenants. The city was advised to increase the reserve to a required amount and investigate why certain transfers were

Advertisement



Print Powered By  FormatDynamics™

made in and out of the account by the bond's trustee.

The city's accounting errors primarily involved projects that should have been paid for by development fees, which are one-time levies that builders must pay to provide infrastructure for new construction. State law requires the fees be used for the purpose for which they were assessed.

According to the audit, Surprise built its infrastructure much faster than impact fees came in. Many of the buildings constructed around its City Hall complex were designed to meet the city's needs through 2022.

Surprise council members voted Tuesday to have a final version of the Red Oak audit released to the public. City officials had refused to release the report, saying it was not "complete."

**Republic reporter Rebekah Sanders contributed to this article.**

Copyright © 2011, azcentral.com. All rights reserved. Users of this site agree to the [Terms of Service](#) and [Privacy Policy/Your California Privacy Rights](#)

Advertisement



**USA TODAY**  
**AutoPilot** 

The new travel app for iPhone® and iPod touch®

Presented by: 

**SEE HOW IT WORKS »**

The advertisement features a smartphone displaying the USA TODAY AutoPilot app interface. The screen shows a 'USA TODAY Meeting' for Sep 21, 2009, with flight details for A6 from BNA to IAD, departure at 11:48 AM, and weather for Washington (IAD) as 'Partly Cloudy'. It also includes a link to 'View a Flickr gallery of Washington' and a note about Hilton Hotels. The background is white with blue and red accents.

Print Powered By  FormatDynamics™