

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

PUTTING ALL COMMUNITIES TOGETHER 4
FAMILIES COLLABORATIVE

PUBLIC INVESTIGATIVE REPORT
OCTOBER 3, 2006

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PUTTING ALL COMMUNITIES TOGETHER 4 (“PACT 4”) FAMILIES COLLABORATIVE

**Public Report
October 3, 2006¹**

During the annual audit of the Putting All Communities Together 4 Families Collaborative (“PACT 4”), the State Auditor’s Office reviewed the use of gift cards and gift certificates by PACT 4. We found that PACT 4 did not adequately manage its gift card and gift certificate program, and failed to establish an appropriate control environment for the program. We found that gift cards and gift certificates were issued based upon false supporting information, and gift cards/certificates did not reach the alleged recipients. We also found gift cards that were unaccounted for, and we question whether some gift cards were actually used for the purpose stated on supporting documentation.

More specifically, we found:

- \$6,240 in gift cards and gift certificates approved by and issued to the PACT 4 Director, allegedly for temporary assistance for families during the time period January 1, 2005 through June 27, 2006, contained false supporting documentation for the expenditures.
- During that same time period, additional gift cards and gift certificates approved by and issued to the PACT 4 Director, allegedly for temporary assistance for families, contained supporting documentation that raised concerns regarding its accuracy.
- \$2,200 in gift cards and gift certificates issued to the PACT 4 Director, allegedly for use in LCTS grant reviews in 2005, raised questions regarding whether the cards/certificates were used for LCTS grant review purposes.
- An additional \$400 in gift cards issued for the Renville and Meeker County LCTS grants reviews in 2005 remain unaccounted for.
- The PACT 4 Board Chair received gift certificates for separate meetings she had with the PACT 4 Director.

¹ The Kandiyohi County Attorney was provided with a “not public” version of this report dated August 14, 2006.

- Gift cards and gift certificates issued to the PACT 4 Director, and related expense reimbursements to the PACT 4 Director, allegedly for use in a youth methamphetamine (meth) program, lack sufficient supporting documentation to confirm their use in a PACT 4 meth program.

I. Background

PACT 4 was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties, to provide coordinated services to children and families.

PACT 4 purchases gift cards and gift certificates. PACT 4 issues the gift cards/ certificates for a variety of purposes, including:

- Temporary assistance to individuals;
- Payments to individuals for services performed, such as when individuals are hired or volunteers solicited to review grant proposals and awards;
- Incentives for individuals to participate in PACT 4's grant programs and studies; and
- The purchase of supplies or payment for meals when traveling that would ordinarily be out-of-pocket and reimbursable.

PACT 4 is audited by the State Auditor's Office. PACT 4's financial and compliance audit for the year ended December 31, 2004, included a finding regarding gift cards/certificates.² For gift cards/certificates provided as payment or incentive to volunteers and participants, we found that a list naming the specific recipients was not always maintained.³ We also found that PACT 4 made no attempt to ensure that the goods or services on which a request for temporary assistance was based were actually received.⁴

We recommended that PACT 4 strengthen its policies relative to the use of gift cards/certificates, and strictly and consistently enforce these policies.⁵ We recommended that the records maintained for gift cards/certificates include specific identification of who received the gift card/certificate, the reason the gift card/certificate was issued, and whether the user was notified that the value received was for payment of services rendered, and should be considered income by the user.⁶

As part of our audit for the year ended December 31, 2005, we followed up on our prior finding and recommendations. This report is a result of that follow-up.

² See Office of the State Auditor Audit of PACT 4, Year Ended December 31, 2004, at pages 25-26.

³ *Id.* at page 26.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

On March 1, 2005, PACT 4's Executive Board adopted a "Receipts Procedure" that governed the handling of gift certificates and gift cards.⁷ The Receipts Procedure correctly noted that gift cards/certificates are like cash. The Receipts Procedure prohibited the purchase of PACT 4 gift cards/certificates by an employee or any person.

Under the Receipts Procedure, an employee requesting gift cards/certificates must present a completed Expenditure Authorization Form ("EAF"), signed by a supervisor, to the PACT 4 Office Manager. The employee and Office Manager were then required to obtain the gift card/certificate from a locked drawer, sign or initial the gift card/certificate log, and note the gift card/certificate's identifying number on the EAF.

To obtain gift cards/certificates under the Receipts Procedure, the PACT 4 Director was also required to have a supervisor sign an EAF, and to present the completed EAF to the PACT 4 Office Manager. If the Office Manager was unavailable, the Director was the only person authorized to distribute gift cards/certificates. We were informed that only the PACT 4 Director and the Office Manager have keys to the locked drawer containing the gift cards/certificates and log.

II. Flexible Fund Gift Cards/Certificates

PACT 4 issued gift cards and certificates for use as temporary assistance to families. To apply for this assistance, "Flexible Fund" applications were completed for the families by referral sources. Referral sources included such people as social workers, public health nurses, and county family services financial workers.

According to the application, Flexible Fund dollars were to be used where no other funds were available. The referral source, according to the application, was required to check with all appropriate service agencies/organizations before filling out a Flexible Fund application. According to the applications, amounts up to \$300 were screened at the PACT 4 office, amounts from \$301 to \$500 were screened by the PACT 4 Director, and amounts of more than \$501 were referred to the PACT 4 Executive Board for review.⁸ EAFs, described in PACT 4's Receipts Procedure, were not used for Flexible Fund expenditures.

⁷ See PACT 4 Executive Board Meeting Minutes, March 1, 2005, Item 4.c. See also PACT 4 Purchasing and Reimbursement Procedure approved by PACT 4 Executive Board August 3, 2004.

⁸ There were variations in the Flexible Fund applications used by PACT 4. At least one application that we reviewed stated that amounts from \$301 to \$600 were screened by the PACT 4 Director. Some applications also referred to a screening committee for amounts from \$301 to \$500.

A. Flexible Fund Procedures

The PACT 4 Office Manager informed us that, after PACT 4 received a Flexible Fund application from a referral source, she was supposed to check PACT 4's database to be sure the family had not received funds from PACT 4 within the past three years. Another PACT 4 employee ("Employee 1") or the PACT 4 Director then reviewed the requests. The PACT 4 Office Manager stated that generally she would give the applications to Employee 1. Employee 1 said that she would pass requests for more than \$300 to the PACT 4 Director.

According to the PACT 4 Office Manager, when Employee 1 approved the expenditure, the Office Manager issued any approved gift cards, and another PACT 4 employee ("Employee 2") issued any approved checks.⁹ The Office Manager said that she then sent the cards by certified mail, if possible. The Office Manager said that sometimes, instead of using certified mail, she provided the cards to the referring person, if that person was in the building. In those cases, the Office Manager said she asked the referring person to sign a form acknowledging that the items had been received.

When the PACT 4 Director approved the expenditures, however, the Office Manager said that the PACT 4 Director obtained the gift cards from the Office Manager and distributed the cards herself. In those cases, the Office Manager said that she simply initialed the log to show that the gift cards were issued. The Office Manager told us that the PACT 4 Director also approved expenditures in the evenings, on weekends, and on the Office Manager's days off. In some of those cases, the Office Manager said that the PACT 4 Director signed the Office Manager's initials on the gift card log. The Office Manager said that she had never seen some of the applications approved by the PACT 4 Director.

B. False Supporting Documentation for \$6,240 in Gift Card and Gift Certificate Expenditures

We reviewed 31 Flexible Fund applications for the time period of January 1, 2005 through June 27, 2006. The PACT 4 Director approved the expenditures for all 31 applications. We found false supporting documentation for 15 of the 31 applications. As a result of these 15 applications approved by the PACT 4 Director, \$6,240 worth of gift cards/certificates were issued to the PACT 4 Director.

1. Referral Source 1 (Flexible Fund Expenditure # 1143)

Referral Source 1 is with Kandiyohi County Family Services. One Flexible Fund application listed Referral Source 1 as the referring person. Based upon the PACT 4

⁹ Employee 1 confirmed that the PACT 4 Office Manager issued the cards for the applications she approved.

Director's approval of the application, the PACT 4 Director was issued \$300 worth of gift cards/certificates.

Referral Source 1 provided us with a copy of the application she submitted to PACT 4. Referral Source 1 said the application was denied. We compared the application submitted by Referral Source 1 with the application approved by the PACT 4 Director. The client's first name, signature and address had been changed on the form. Referral Source 1 told us that she is familiar with the family's situation, and the address and name she had provided were the correct name and address. A fifth child had also been added to the form. Finally, the date on the application had been altered from January 2005 to December 2005, and the reason for the request had been changed. Specifically, Referral Source 1's application had requested funding for YMCA membership for the parent. The application approved by the PACT 4 Director stated that the funding request was for car seats, coats and boots. The following statement had been added to the form: "Has been stopped X 1 by police for no car seats – given warning." Referral Source 1 also informed us that the signature on the acknowledgement for receipt of the cards did not appear to be the parent's signature.

The parent listed on the application submitted by Referral Source 1 informed us that the family did not receive any gift cards or certificates from PACT 4. The parent confirmed that her name is the name provided by Referral Source 1, and she has four children at home. She confirmed that she did not ask PACT 4 for funds for car seats, coats or boots. She said she has not been stopped by the police for failing to have car seats. She said she received a car seat for her youngest child from the police department.

2. Referral Source 2 (Flexible Fund Expenditure # 1127)

Referral Source 2 is with Renville County Human Services. One Flexible Fund application lists Referral Source 2 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$400 worth of gift cards/certificates.

Referral Source 2 informed us that this PACT 4 application was denied. She said the application was for an air conditioner for a family. Referral Source 2 provided us with a copy of the original application and her dictation showing that she informed the family of the denial on September 29, 2005. She said the family does not have an air conditioner. In addition, she noted that the acknowledgement for receipt of the gift cards/certificates appears to have been signed by the family's child. However, Referral Source 2 said that the child could not have signed the acknowledgement form due to age and multiple physical problems.¹⁰

¹⁰ The child was one year old according to the application completed by Referral Source 2 and dated July 6, 2005. The date on the application had been crossed out, and replaced with the date October 10, 2005.

A public health nurse with Renville County told us that she and Referral Source 2 continue to work with this family. The nurse confirmed that the PACT 4 request was denied, and the family does not have an air conditioner. She said that, due to the PACT 4 denial, she has discussed other funding options with the family.

The parent listed on the application informed us that the family did not receive an air conditioner or any gift cards/certificates from PACT 4.

3. Referral Source 3 (Flexible Fund Expenditure # 1142)

Referral Source 3 is with Kandiyohi County Family Services. One Flexible Fund application lists Referral Source 3 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$310 worth of gift cards/certificates.

Referral Source 3 provided us with a copy of the application that she had completed for this family. The referral she had submitted for this family had been altered. The application approved by the PACT 4 Director was dated December 15, 2005, listed four children in the family, and requested funding for cribs and car seats for two one-year old children. The application completed by Referral Source 3 was dated December 15, 2004, and listed only one child. Referral Source 3 informed us that the family had been closed out of their system as of December 1, 2005, and an application for PACT funding would not have been submitted on a closed case. Referral Source 3 said she had not requested PACT 4 funding for cribs or car seats. Another employee with Kandiyohi County Family Services, who currently has the family for a client, confirmed that the family only has one child.

4. Referral Source 4 (Flexible Fund Expenditure # 1132)

Referral Source 4 is with Renville County Public Health. One Flexible Fund application lists Referral Source 4 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$400 worth of gift cards/certificates.

Referral Source 4 informed us that only her name and contact information at the top, and the signature at the bottom of the application are in her handwriting. She said that whenever she completes one of these applications, she fills them out very completely. She said she does not know the family listed on the form, and could find no record of the family in her records. Referral Source 4 also informed us that she has been informed by another Renville County Public Health employee that the address listed for the family does not exist.

5. Referral Source 5 (Flexible Fund Expenditures # 1075, 1077, 1080, and 1097)

Referral Source 5 is with Heartland Community Action Agency. Four Flexible Fund applications list Referral Source 5 as the referring person.¹¹ Based upon the PACT 4 Director's approval of the four applications, the PACT 4 Director was issued \$1,760 worth of gift cards/certificates.

However, Referral Source 5 informed us that the applications are not in her handwriting, and the signatures at the bottom of the applications are not her signatures. She informed us that she does not recognize any of the names of the families listed on the four applications, and they are not her clients. She said she was out of the country on the date of one of the alleged referrals. She told us that she looked in her daybook and found that she was not in Meeker County on the date of one of the referrals for a Meeker County family. She said she does not think she submitted any of these applications to PACT 4.

6. Referral Source 6 (Flexible Fund Expenditure # 1126)

Referral Source 6 is with the Countryside Public Health Department (Yellow Medicine County). One Flexible Fund application lists Referral Source 6 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$480 worth of gift cards/certificates.

Referral Source 6 informed us that she had never seen this application. She said she has never worked with the family listed on the form. In addition, the application asked for funding for three car seats. Referral Source 6 informed us that she has never asked PACT 4 for funding for car seats. She said she had not completed this form, and the signature at the bottom of the application is not her signature.

7. Referral Source 7 (Flexible Fund Expenditure # 1154)

Referral Source 7 is with a high school in Renville County. One Flexible Fund application lists Referral Source 7 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$460 worth of gift cards/certificates.

The application approved by the PACT 4 Director requested funding for two cars seats, one booster, a crib, a "portacrib", and gas. Next to the words car seat and booster, the application contained the statement: "stopped & flagged." Referral Source 7 informed us that she did not submit this application, and she does not know the family listed on the

¹¹ Expenditure # 1075 for \$440; expenditure # 1077 for \$400; expenditure # 1080 for \$450; and expenditure # 1097 for \$470.

form. In addition, she said she had no need for car seat funding because she works with high school youth. She said the signature at the bottom of the application is not in her handwriting.

8. Referral Source 8 (Flexible Fund Expenditures # 1093, 1098, and 1146)

Referral Source 8 is with Kandiyohi County Family Services. Three Flexible Fund applications list Referral Source 8 as the referring person.¹² Based upon the PACT 4 Director's approval of the three applications, the PACT 4 Director was issued \$1,335 worth of gift cards/certificates.

Referral Source 8 informed us that the families listed on the forms were not her clients. She informed us that she has never requested funding from PACT 4 for some of the items listed on the applications, such as car seats or cribs. She said the forms are not in her handwriting, and the signatures at the bottom of the applications are not in her handwriting.

9. Referral Source 9 (Flexible Fund Expenditure # 1112)

Referral Source 9 is with Kandiyohi County Family Services. One Flexible Fund application lists Referral Source 9 as the referring person. Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$505 worth of gift cards/certificates.

Referral Source 9 informed us that she did not make this referral. She said the family listed on the form is not in their system, and the application is not in her handwriting. She stated that this application "was forged."

10. Referral Sources 10 and 11 (Flexible Fund Expenditure # 1141)

Referral Source 10 is with Kandiyohi County Family Services. One Flexible Fund application has the name of Referral Source 11 crossed out as the referring person, and replaced with Referral Source 10 as the referring person.¹³ Based upon the PACT 4 Director's approval of the application, the PACT 4 Director was issued \$290 worth of gift cards/certificates.

The application approved by the PACT 4 Director was originally dated October 28, 2005. The date on the application was crossed out and replaced with December 19, 2005. The application listed four children. At the top of the application, the parent's name is "[FN-xx LN-y]." The signature of the parent at the bottom of the form shows a last name of

¹² Expenditure # 1093 for \$485; expenditure # 1098 for \$430; and expenditure # 1146 for \$420.

¹³ In the signature portion, Referral Source 11's name had been crossed out and replaced with another name. Both Referral Source 10 and Referral Source 11 informed us that they did not know that person.

“[LN]”. The signature of the parent on the form acknowledging receipt of the gift cards appears to be “[FN-xx LN-y].”

Referral Source 10 said, according to their system, a “[FN LN]” came in on October 28, 2005, and was denied emergency assistance from Kandiyohi County Family Services. She said the [FN LN] in their system has only one child, with a social security number that matches “Child 1” on the December 19, 2005, application approved by the PACT 4 Director.

Referral Source 11 is a PACT 4 employee who previously worked as a Case Manager. She informed us that she knows a client named [FN LN] who has one child. She said she completed the form, but the following information had been changed and was not in her handwriting: the parent’s name, date of birth, address and phone number; information regarding children 2 through 4; and the request for funding for a crib, car seat, infant seat and basic household items. Referral Source 11 said that she recalls completing the application for [FN LN], and she had requested assistance with utility bills for this client.

C. Additional Questionable Flexible Fund Applications From January 1, 2005 Through June 27, 2006

In addition to the 15 Flexible Fund applications containing the false supporting documentation just discussed, an additional eleven out of the 31 Flexible Fund applications we reviewed raised questions about the authenticity of the supporting documentation, or the number of gift cards/certificates actually provided to the clients. Nine of the eleven questionable applications listed the same referral source.

Referral Source 12 is with Renville County Human Services. Nine Flexible Fund applications list Referral Source 12 as the referring person. Based on the applications, the PACT 4 Director approved and was issued \$3,760 worth of gift cards/certificates.¹⁴ Several of the applications raise concerns. However, Referral Source 12 informed us that she approved each of the nine applications.

Referral Source 12 informed us that she obtained the information on the forms from the families, Renville County Human Services staff, or the PACT 4 Director. Referral Source 12 informed us that she approved five of the nine applications over the telephone.¹⁵ She said those five applications do not contain her signature. She said she was told that the information came directly from the clients, and she took the information on the applications at face value. She told us that she does not have notes on these nine applications.

¹⁴ Expenditure # 1159 for \$410; expenditure # 1149 for \$350; expenditure # 1148 for \$350; expenditure # 1128 for \$490; expenditure # 1121 for \$500; expenditure # 1094 for \$450; expenditure # 1079 for \$320; expenditure # 1072 for \$390; and expenditure # 1071 for \$500.

¹⁵ The PACT 4 Office Manager informed us that Flexible Fund applications are not to be taken over the telephone.

It appears that some of these applications may contain false information. We question whether some of the addresses listed for the families on the nine applications actually exist. For example, one application provides an address on Elm Street in Buffalo Lake, located in Renville County Minnesota.¹⁶ However, based upon our review of MapQuest, it appears that Buffalo Lake does not have an Elm Street.¹⁷ Five of the nine applications do not provide telephone numbers for the clients. Of the four applications listing a telephone number for the client, our web-based searches revealed that two of the telephone numbers were listed to someone other than the client, and for addresses other than the address stated on the applications.¹⁸ Seven of the nine applications request funding for car seats, among other items. Requests for car seat funding were contained in several of the applications containing false supporting documentation. One application stated a family has six children, and provided both ages and birthdates for the children. However, the ages listed for the children are generally one year younger than the children would have been, according to their birthdates, if the application had actually been submitted in February 2005, as stated on the application approved by the PACT 4 Director.¹⁹ On at least one application, the signature of the client appears to be different from the signature of the client contained on the acknowledgement form.²⁰ On three of the applications, the amount requested has been altered.²¹ In short, the information contained on these applications raises concerns.

Referral Source 13 is with a school in Yellow Medicine County. One Flexible Fund application lists Referral Source 13 as the referring person.²² Based on the application, the PACT 4 Director was issued \$500 worth of gift cards/certificates, including \$150 in “Willmar Bucks”, which are gift certificates issued by the local Chamber of Commerce for local businesses. The application sought funding for a reading program for a child. The child’s parent informed us that she received some of the gift cards/certificates approved by the PACT 4 Director, but she does not believe they totaled \$500. Specifically, the parent denies receiving \$150 in Willmar Bucks.²³

¹⁶ See Expenditure # 1149.

¹⁷ According to the Referral Source 4, it appears that six of the addresses provided for clients on the nine applications may not be valid addresses. See Expenditures ## 1071, 1072, 1079, 1094, 1128, and 1149.

¹⁸ See Expenditures # 1072 and # 1159. For the other two telephone numbers provided, one could not be located through computer searches; and one was listed on the application as a telephone number for the client’s friend.

¹⁹ See Expenditure # 1072. This is one of the applications that Referral Source 12 said she did not sign, but approved over the telephone.

²⁰ See Expenditure # 1128.

²¹ See Expenditures # 1094 (\$400 to \$450), # 1128 (\$450 to \$490), and # 1149 (amount changed to \$350).

²² Expenditure # 1074 for \$500. The “actual” amount on the application is recorded as \$492. According to a notation on the application, \$100 in Cub gift cards was actually worth \$92.

²³ The parent said that she received perhaps \$25 in Willmar Bucks, not \$150. Similarly the parent said she may have received \$50, not \$100, in Target cards.

Referral Source 14 is with Yellow Medicine County Family Services. One Flexible Fund application lists Referral Source 14 as the referring person.²⁴ Referral Source 14 informed us that she received a telephone call from the PACT 4 Director regarding this application.²⁵ Referral Source 14 told us that all she knows about this application was the information that the PACT 4 Director provided to her. For example, Referral Source 14 recalls being told that the family needed large sized clothing available at a specialty shop. Among other things, the application requested funding for three car seats.

D. 2003 Through 2004 Flexible Fund Applications

We have not reviewed in detail the individual Flexible Fund applications for years prior to 2005. However, we note the volume of gift cards/certificates issued from the Flexible Fund peaked in 2004. Furthermore, the PACT 4 Director was issued about \$35,000 more in gift cards/certificates in 2004 than in any other year.²⁶ Given our findings for the 2005 and 2006 Flexible Fund gift cards/certificates, and the volume of gift cards/certificates issued to the PACT 4 Director in 2004, PACT 4 may need to review the reliability of the Flexible Fund applications approved by the PACT 4 Director in 2004.

According to the gift card/certificate logs, the following dollar volume of gift cards were issued by PACT 4 in 2000 through May 31, 2006:

PACT 4 Gift Cards/Certificates Issued 2000 – May 31, 2006				
Year	Total Amount Issued by PACT 4 to all Employees (including the PACT 4 Director)	Amount Issued to the PACT 4 Director (including Flex Fund)	Percentage of Amount Issued to the PACT 4 Director	Amount Issued to the PACT 4 Director for Flexible Fund Expenditures
2000	\$19,329.63	\$ 6,910.80	35.8%	\$ 840.00
2001	\$16,401.17	\$ 5,307.03	32.4%	0
2002	\$24,594.06	\$ 4,836.29	19.7%	0
2003	\$39,594.19	\$16,284.76	41.1%	\$ 6,305.47
2004	\$75,926.41	\$51,311.66	67.6%	\$29,485.00
2005	\$53,467.42	\$16,050.15	30.0%	\$ 9,517.00
2006*	\$11,935.62	\$ 2,315.00	19.4%	\$ 2,075.00
Total	\$241,252.50	\$103,015.69	n/a	\$48,222.47

²⁴ Expenditure # 1113 for \$490.

²⁵ The PACT 4 Office Manager informed us that Flexible Fund applications were not to be taken over the telephone.

²⁶ The PACT 4 Director was on leave during portions of 2005. See PACT 4 Executive Board Meeting Minutes, July 5, 2005, Item 9.b.

Source: Electronic Gift Card/Certificate Log maintained by PACT 4. The total amount issued to the PACT 4 Director in 2000 – 2002 includes cards issued jointly to the PACT 4 Director and other PACT 4 employees. It is our understanding that the PACT 4 Director became responsible for authorizing certain Flexible Fund expenditures in the fall of 2003.

*The amounts for 2006 include the time period January 1, 2006 through May 31, 2006.

According to the April 5, 2005, PACT 4 Executive Board meeting minutes, the Board reviewed the history of gift card/certificate usage.²⁷ It was noted that the volume of gift cards/certificates almost doubled from 2003 to 2004. According to the minutes, the PACT 4 Director stated that the increase in Flexible Fund requests was “due to the economy and declining categorical dollars available from local family serving agencies to meet some of the basic needs they once had dollars for.” Given our findings for 2005 and 2006, PACT 4 has a responsibility to investigate and provide an explanation for the increased gift card/certificate expenditures in 2004.

III. Gift Cards for LCTS Grant Reviews

We found \$2,200 in gift cards/certificates issued to the PACT 4 Director, and allegedly used for LCTS grant reviews in March and April 2005.²⁸ However, we question whether the cards were actually used for LCTS grant review purposes. We found an additional \$400 in gift cards/certificates issued for LCTS grant review purposes in 2005 that remain unaccounted for.

PACT 4 receives funding through the Local Collaborative Time Study (LCTS). In turn, PACT 4 provides LCTS grants to other organizations. In each of the four PACT 4 counties, community groups reviewed the grant applications and made recommendations to the PACT 4 Executive Board for funding.²⁹ At its May 3, 2005, meeting, the PACT 4 Executive Board reviewed the recommendations of the county reviewers and approved grants for the two-year funding period 2005 to 2007.³⁰

²⁷ See PACT 4 Executive Board Meeting Minutes, April 5, 2005, Item 5.c. The minutes state that the total amount of gift cards for 2004 was \$76,378.72.

²⁸ The electronic gift card/certificate log shows that the PACT 4 Director was issued \$1,075 in cards for Kandiyohi County, \$675 in cards for Yellow Medicine County, \$450 in cards for Meeker and Renville Counties. $\$1,075 + \$675 + \$450 = \$2,200$. We were also provided EAFs for these expenditures. The EAFs reflect an undetermined amount in cards for Kandiyohi and Yellow Medicine Counties, and \$450 in cards for Meeker and Renville Counties.

²⁹ According to the PACT 4 Chief Elected Official Meeting Minutes for April 7, 2005, Renville and Meeker Counties used only community reviewers, and Yellow Medicine and Kandiyohi Counties combined professional and community reviewers. See PACT 4 Chief Elected Official Meeting Minutes, April 7, 2005, Item 7.b.

³⁰ See PACT 4 Executive Board Meeting Minutes, May 3, 2005, Item 5.a.

A. Kandiyohi County

A PACT 4 supervisor and grants manager (“Employee 3”) informed us that grant applications were reviewed by the community review groups in April 2005 for the two-year LCTS funding cycle beginning on July 1, 2005. Employee 3 worked with the reviews in Kandiyohi and Yellow Medicine Counties.

In Kandiyohi County in 2005, a total of 36 grant applications needed review, according to Employee 3. As a result, reviews were conducted on April 8, 2005, and April 20, 2005.³¹ Community volunteers attending the meetings provided their names and addresses on a “Meeting Attendance Sign-In” sheet. Employee 3 said that he was responsible for sending thank-you notes and gift cards/certificates to the reviewers. Employee 3 said that he worked with the PACT 4 Office Manager to distribute the gift cards/certificates to the reviewers.

Gift cards/certificates worth a total of \$2,975 were checked out to Employee 3 for the Kandiyohi County grant reviewers.³² The gift cards/certificates included gift cards from Target and Walmart, and Willmar Bucks gift certificates. The amounts paid to each reviewer varied from \$275 for reviewers who attended both review days, to \$150 for reviewers who attended only one day of review.³³ PACT 4 sent the gift cards to the reviewers by certified mail and requested a return receipt. The return receipts show postal delivery dates of April 26 through April 29, 2005.

In addition to the cards/certificates issued to Employee 3, the PACT 4 Director checked out an additional \$1,075 in gift cards and certificates for Kandiyohi County LCTS grant reviews, according to the gift card/certificate log. Specifically, the log reflects that the PACT 4 Director was issued \$250 in Willmar Bucks on April 13, 2005, for Kandiyohi County LCTS grant reviews. The log reflects that the PACT 4 Director was also issued

³¹ According to the May 3, 2005 PACT 4 Executive Board Meeting Minutes, the PACT 4 Director informed the Board that she sat in on most review sessions, except she missed the last Kandiyohi County review session, and half of the Meeker County review session. *See* PACT 4 Executive Board Meeting Minutes, May 3, 2005, Item 5.a.

³² Employee 3 and the PACT 4 Office Manager completed EAFs, dated April 25, 2005, for \$2,825 worth of gift cards/certificates. We were not provided with an EAF for the additional \$150 in gift cards issued on April 12, 2005.

³³ One of the reviewers attended only one half-day review session. It appears that reviewer also received \$150 worth of gift cards/certificates. One of the reviewers returned the gift cards/certificates to PACT 4. The handwritten gift card/certificate log contains “white out” for three \$25 and two \$100 Walmart cards (for a total of \$275 in cards) that had been checked out to Employee 3 on April 25 for the Kandiyohi County LCTS grant reviews. According to the June 7, 2005 PACT 4 Executive Board Meeting Minutes, the PACT 4 Director informed the Board that \$150 was the “top amount” given to volunteers on the community review groups. She explained that the cards were to thank the volunteers for their time and help offset the cost of childcare and transportation. She noted that the amount does not work out to very much per hour if someone was “there for two days and put in multiple hours to review and rank proposals.” *See* PACT 4 Executive Board Meeting Minutes, June 7, 2005, Item 5.a.v. Reviewers who attended two days of review in Kandiyohi County received \$275, not \$150, in gift cards.

\$375 in Target gift cards, \$150 in Walmart gift cards, and \$300 in Willmar Bucks on April 27, 2005, for Kandiyohi County LCTS grant reviews.

We were provided with EAFs for some of the gift cards/certificates issued to the PACT 4 Director allegedly for Kandiyohi County LCTS grant reviews.³⁴ Another PACT 4 Grant/Program Supervisor (“Employee 4”) allegedly approved the EAFs. Employee 4 informed us that she does not recall signing the forms, and she was not involved with the LCTS grant review process. Some of the EAFs contained initials. Employee 4 said she did not know why the forms would contain only initials because there was no need for anonymity for the reviewers.

Employee 3 told us that he knew of no reason why cards/certificates in addition to those he handled would have been needed for the Kandiyohi County LCTS grant reviewers.

B. Yellow Medicine County

Employee 3 informed us that reviewers in Yellow Medicine County were sent seven proposals.³⁵ The reviewers met on April 14, 2005. Employee 3 and the PACT 4 Office Manager completed an EAF, dated April 19, 2005, for gift cards for the nine Yellow Medicine County LCTS grant reviewers. The reviewers’ names and addresses were included on the EAF. According to Employee 3, each reviewer was to receive not more than \$75 in gift cards

Employee 3 obtained \$675 in Walmart gift cards for the Yellow Medicine County LCTS grant reviewers on April 19, 2005, according to PACT 4’s gift card log.³⁶ The gift cards were sent to the reviewers by certified mail with a return receipt requested. The return receipts show postal delivery dates of April 20 through April 26, 2005.

In addition to the cards/certificates issued to Employee 3, the PACT 4 Director checked out an additional \$675 in gift cards and certificates for Yellow Medicine County LCTS grant reviews, according to the gift card/certificate log. Specifically, the log reflects that the PACT 4 Director was issued \$100 in Target gift cards and \$150 in Willmar Bucks on April 18, 2005, for the Yellow Medicine County LCTS grant reviews. The log reflects that the PACT 4 Director was also issued \$150 in Walmart gift cards and \$225 in Willmar Bucks on April 27, 2005, for the Yellow Medicine County LCTS grant reviews.

³⁴ The expenditure dates on the EAFs were April 13, 2005 (\$50 Willmar Bucks X 5 = \$250 in Willmar Bucks) and April 27, 2005 (amount unclear, but appears to be 2 cards at \$75 each and 3 cards at \$50 each, for a total of \$300 in cards).

³⁵ Employee 3 said that in October 2005 there was a second review of grants for Yellow Medicine County because all of the grant funds had not been allocated during the April 2005 review.

³⁶ 9 X \$75 = \$675.

Finally, the log shows that the PACT 4 Director was issued an additional \$50 in Willmar Bucks on April 29, 2005, for the Yellow Medicine County LCTS grant reviews.³⁷

Employee 3 told us that he knew of no reason why additional cards/certificates would have been needed for the Yellow Medicine County LCTS grant reviewers. He told us that the PACT 4 Director was aware that he was handling the distribution of gift cards to reviewers.

C. Renville and Meeker Counties

Another PACT 4 employee (“Employee 5”) handled the 2005 LCTS grant reviews for Renville and Meeker Counties. Employee 5 informed us that she received gift cards from the PACT 4 Office Manager for both the Renville and Meeker County reviewers. The gift cards were in \$25 denominations from Target and Walmart. According to the electronic gift card/certificate log, \$2,475 in gift cards (99 cards at \$25 each) for the Renville and Meeker County 2005 LCTS grant reviews were issued to Employee 5 on March 16, 2005.³⁸

Seven reviewers in Renville County met on March 30, 2005, according to Employee 5. She informed us that each reviewer received \$75 in gift cards (3 cards). She said that she personally handed out the cards to the reviewers, allowing each reviewer to select either Target or Walmart cards. Employee 5 said she also gave one \$25 gift card to a helper at the March 30, 2005, meeting. Employee 5 said she had extra cards after the Renville meeting. Employee 5 said that the PACT 4 Director attended the March 30, 2005, meeting and took some of the extra cards for additional reviewers. Employee 5 said she did not know who those additional reviewers would be or how many cards were taken by the PACT 4 Director.

Fifteen Meeker County grant reviewers met on April 20, 2005, according to Employee 5. Each reviewer received \$100 in gift cards (4 cards).³⁹ Employee 5 said that she again personally handed out the cards to the reviewers, allowing each reviewer to select gift cards from either Target or Walmart. Employee 5 said she also gave one \$25 gift card to a helper at the April 20, 2005, meeting. Employee 5 said that she had extra cards after

³⁷ We were provided copies of EAFs for \$600 of these expenditures. The expenditure dates on the EAFs appear to be April 18, 2005 (\$50 X 5 cards, 3 of which were Willmar Bucks, for a total of \$250, allegedly approved by Employee 4); April 28, 2005 (\$50 X 5 cards, for a total of \$250, allegedly approved by another PACT 4 supervisor); and April 29, 2005 (\$50 Willmar Bucks X 2 = \$100, allegedly approved by Employee 4).

³⁸ Nine additional cards were issued to Employee 5, but those cards appear to have been returned, as evidenced by “white out” on the handwritten card/certificate log. As a result, including those nine cards, it appears that Employee 5 was issued a total of 108 cards on March 16, 2005.

³⁹ Employee 5 explained that the difference in the number of cards given to the Renville and Meeker County reviewers was based upon the number of grants reviewed in each county. Based upon information provided to us by Employee 3, it appears that Renville County received 13 letters of intent, and Meeker County received 20 letters of intent.

the Meeker County meeting. She said that the PACT 4 Office Manager attended the April 20, 2005, meeting and took an unknown number of extra cards back to the PACT 4 office. The gift card/certificate logs contain “white out” for nine Walmart cards originally checked out on March 16, 2005, to Employee 5 for the LTCS grant reviews. The PACT 4 Office Manager confirmed that she returned nine unused cards to the PACT 4 offices.

Sixteen of the cards checked out to Employee 5 on March 16, 2005, for a total of \$400 worth of gift cards, are unaccounted for. Specifically, 108 cards were issued to Employee 5 for the Renville and Meeker County LCTS reviews. Nine of the cards were returned, leaving 99 cards. Each of the cards was worth \$25, for a total of \$2,475 in gift cards.⁴⁰ It appears Employee 5 used 22 cards for the Renville County LCTS reviews (for a total of \$550), and 61 cards for the Meeker County LCTS grant reviews (for a total of \$1,525). As a result, 16 cards worth \$400 remain unaccounted for.⁴¹

In addition to the cards issued to Employee 5, the PACT 4 Director checked out an additional \$450 in gift cards and certificates for the Renville and Meeker County LCTS grant reviews, according to the gift card/certificate log. Specifically, the log reflects that the PACT 4 Director was issued \$200 in Willmar Bucks on March 31, 2005, for the Renville County LCTS grant reviews.⁴² The log reflects that the PACT 4 Director was issued \$100 in Walmart gift cards and \$150 in Willmar Bucks on April 27, 2005, for the Meeker County LCTS grant reviews.⁴³

Employee 5 informed us that both the PACT 4 Director and the PACT 4 Office Manager were aware that she was handling the gift cards for the Meeker and Renville County reviews. In addition, Employee 5 told us that she knew of no reason why additional gift cards would have been provided to Renville County reviewers. Employee 5 told us that she was the only person who knew the reviewers at the meetings and their addresses.

⁴⁰ 99 cards X \$25 = \$2,475.

⁴¹ Seven Renville County reviewers X \$75 (3 cards @ \$25/card) = \$525 (21 cards at \$25/card), plus one card for the Renville County “helper” equals \$550 (22 cards at \$25/card); 15 Meeker County reviewers X \$100 (4 cards @ \$25/card) = \$1,500 (60 cards at \$25/card), plus one card for the Meeker County “helper” equals \$1,525 (61 cards at \$25/card); total number of cards used: 22 + 61 = 83 cards; total value of cards used: \$550 + \$1,525 = \$2,075; \$2,475 (99 cards issued @ \$25/card) – \$2,075 (83 cards used @ \$25/card) = \$400 (16 cards unaccounted for @ \$25/card).

⁴² We were provided an EAF with an “expenditure date” of March 30, 2005 for \$200 (4 Willmar Bucks at \$50/card) for “LCTS Review”. Employee 5 allegedly requested the expenditure authorization. The EAF was approved by the PACT 4 Director on March 31, 2005.

⁴³ We were provided with an EAF for \$250 (2 Walmart cards at \$50/card and 3 Willmar Bucks at \$50/card) for “LCTS – review” and an “expenditure date” of April 27, 2005. The PACT 4 Director made the request. The EAF was allegedly approved by Employee 4.

IV. Gift Cards/Certificates to Parent Board Members

We have been unable to confirm that all gift cards/certificates checked out for the purpose of compensating parent representatives on the PACT 4 Executive Board for their attendance at PACT 4 meetings were actually received by the Board members. We also found that the PACT 4 Board Chair received additional gift cards/certificates for separate meetings she had with the PACT 4 Director. PACT 4 did not issue a Form 1099 to alert the recipients that the cards may need to be reported as income.

The PACT 4 Board Chair is a parent representative on the PACT 4 Executive Board.⁴⁴ One other PACT 4 Board member is also a parent representative on the Board (“Board Parent”).⁴⁵ The remaining seven Board members are representatives of specific agencies. The PACT 4 Office Manager informed us that the PACT 4 Director instructed her to issue \$35 in gift cards to parent Board members for attending the full Collaborative or PACT 4 committee meetings, and to issue \$70 in gift cards to parent Board members for attending the Executive Board meetings. It is our understanding that, of the Board members, only the parent representatives received gift cards for attending PACT 4 meetings.

According to the August 3, 2004, Executive Board meeting minutes, the PACT 4 Board Chair submitted a written proposal requesting an increase in parent incentives to attend PACT 4 meetings. According to the minutes, the current rate was \$35 per meeting. The Board approved the issuance of one \$35 gift card for meetings (not trainings) attended per day, plus a \$10 to \$25 gift card for mileage, dependent on distance traveled, with child care being billed directly from a licensed child care facility.⁴⁶

The Board Parent informed us that she received \$35 in Walmart gift cards for attending full Collaborative meetings or Parent Advisory Committee meetings (which she just started to attend). For attendance at Executive Board meetings, the Board Parent said she used to receive \$77 in gift cards, covering both attendance and mileage. The Board Parent told us that she recently began receiving a check for mileage, and gift cards for

⁴⁴ From our prior audits, it appears that the PACT 4 Board Chair was appointed to the Board in 2001 and appointed as chair in 2003.

⁴⁵ It appears that the Board Parent joined the Board in 2004.

⁴⁶ See PACT 4 Executive Board Meeting Minutes, August 3, 2004, Item 7.c. PACT 4 was unable to provide us with any other written policy regarding Board member payments for meetings. The minutes of the March 1, 2005 Board meeting reflect another discussion regarding gift cards provided to those attending PACT 4 committees or Board meetings. The minutes noted that PACT 4 was unable to run reports on how many gift cards individuals received, and PACT 4 did not require the recipients to sign an acknowledgement form. However, it was noted that “for the most part” the amounts ranged from \$35 to \$50 depending upon the mileage. The Board also engaged in a discussion about the need to issue Form 1099s to those receiving gift cards, or to make them employees. The March 1, 2005 meeting is when the Board adopted its new Receipts Procedure. See PACT 4 Executive Board Meeting Minutes, March 1, 2005, Item 4.c.

attendance at meetings. According to the Board Parent, the PACT 4 Director used to hand her the cards, but more recently, the cards were mailed to her via certified mail. The Board Parent said she did not receive any cards other than those issued for attendance at these meetings. Our review of the gift card logs confirms that the Board Parent appears to have received \$35 in gift cards for full Collaborative and committee meetings, and \$70 in gift cards for Executive Board meetings.

The PACT 4 Board Chair informed us that when the PACT 4 Office Manager issued cards for attendance at Board meetings, she would receive cards equal to \$35 per meeting. However, the PACT 4 Board Chair also informed us that she received cards directly from the PACT 4 Director who would “shoot [her] some extra”, resulting in payments loosely approximating \$35 per hour. For example, the PACT 4 Board Chair informed us that she would meet the PACT 4 Director for dinner and discuss PACT 4 issues, and sometimes she received gift cards for those meetings.⁴⁷ She recalled receiving more than \$200 in gift cards just before Christmas 2005.⁴⁸ The PACT 4 Board Chair told us that she did not keep track of the gift cards she received, but she felt she deserved the gift cards she received.

⁴⁷ For example, the PACT 4 Director was reimbursed for an expenditure of \$26 at Applebees on February 16, 2005, for an alleged dinner meeting between the PACT 4 Director and the PACT 4 Board Chair. (PACT4’s meal reimbursement rate was \$13 for dinner. *See, e.g.*, PACT 4 Executive Board Meeting Minutes, November 1, 2005, Item 3.d.; *see also* PACT 4 Purchasing and Reimbursement Procedure, approved by the Executive Board on August 3, 2004.) According to the electronic card logs and an EAF, the PACT 4 Director was issued \$120 in Willmar Bucks on the same date for an extra Executive Board meeting with the PACT 4 Board Chair, and a bullying meeting.

Similarly, we found that the PACT 4 Director was reimbursed for dinner expenditures of \$26 on August 21, 2005, August 26, 2005, September 4, 2005, and September 11, 2005, each for an alleged Executive Board meeting between the PACT 4 Director and the PACT 4 Board Chair. According to an EAF completed by the PACT 4 Office Manager, \$70 in Willmar Bucks was issued on August 22, 2005, per an August 21, 2005, 10:47 p.m. phone message from the PACT 4 Director, regarding an additional meeting with the PACT 4 Board Chair. We are unable to directly match other meal reimbursements with attendance gift cards. However, in August and September 2005, the electronic card log shows a total of \$240 in Willmar Bucks issued for the PACT 4 Board Chair’s attendance at extra Executive Board meetings.

At times, there did not appear to be an expense reimbursement request for the extra meetings. For example, according to the electronic log, the PACT 4 Board Chair was provided \$170 in Willmar Bucks on October 13, 2005, for an Executive Board meeting and an additional Executive Board meeting. We were not provided with an expense reimbursement for this alleged meeting, although the PACT 4 Director was reimbursed \$26 for an alleged dinner meeting with the PACT 4 Board Chair on October 29, 2005. Gift cards for the PACT 4 Board Chair’s attendance at the October 29, 2005 dinner meeting appear to be included in the \$280 of gift cards issued for the PACT 4 Board Chair on December 19, 2005.

In one case, the PACT 4 Board Chair appears to have signed an acknowledgement for receipt of \$140 in gift cards on May 23, 2005, although the acknowledgement appears to be related to 2006 meetings (\$35 for a Parent Advisory meeting, \$35 for a full Collaborative meeting, and \$70 for a 3 hour meeting at McMillan’s, according to the EAFs on file for that expenditure).

⁴⁸ According to the electronic card logs, \$280 in Willmar Bucks was issued for the PACT 4 Board Chair on December 19, 2005. According to the acknowledgement that appears to be signed by the PACT 4 Board Chair and the corresponding EAFs, \$70 was for a Saturday, October 29, 2005, Executive Board prep meeting from 5:15 – 7:50 p.m. with the PACT 4 Director, \$70 was for “Sch SW Interview”, \$70 was for the December Executive Board meeting, \$35 was for the December full Collaborative meeting, and \$35 was for the December Parent Advisory Committee meeting.

She said the gift cards she received were usually Willmar Bucks, although she may have received a Target card now and then. The PACT 4 Board Chair said she did not receive Walmart cards.

In 2004, the gift card log, in most instances, did not identify the specific parent receiving the gift cards.⁴⁹ As a result, we were unable to determine the amount of gift cards issued to the PACT 4 Director for each of the parent Board members. However, according to the gift card log, the following gift cards/certificates were issued to the PACT 4 Director, and the reason for the gift cards included “Board”, “Exec”, “Executive”, “EB”, “[Board Parent]”, or “[Board Chair]”:

2004 “Exec” Gift Cards	
Certificate Type	Amount
Willmar Bucks	\$3,434.45
Walmart	\$1,145.00
Cub	\$ 150.00
Subway	\$ 15.00
Total:	\$4,744.45

Source: Electronic Gift Card/Certificate Log maintained by PACT 4.

The 2004 “Exec” gift cards may understate the total amount paid to parent Board members because it does not include gift cards that were issued with reasons such as “Full Collaborative Parent” or those related to the annual meeting.

In 2005, the gift card/certificate log generally noted the specific Board member who was to receive the gift cards/certificates. We also observed that cards began to be delivered via certified mail, and acknowledgements were obtained on several occasions. Generally, it appears that the PACT 4 Board Chair and the Board Parent received \$70 for Executive Board meetings, and \$35 for other meetings (such as Full Collaborative meetings). The PACT 4 Board Chair received additional gift cards for the private meetings she had with the PACT 4 Director. According to the gift card log, the following gift cards/certificates were issued:

⁴⁹ For example, in 2004 the log contained entries such as “440-Exec Board parent”. The 2004 log contained the notation “[Board Chair]” in only one entry: \$150 in Willmar Bucks issued to the PACT 4 Director for “440-Executive Board [Board Chair]” on February 10, 2004. The 2004 Log contained the notation “[Board Parent]” in two entries: \$75 in Walmart cards issued to the PACT 4 Director for “440-Executive Board [Board Parent]” on February 10, 2004, and \$50 in Walmart cards issued to the PACT 4 Director for “440-Executive Board [Board Parent] (wrong date)” on February 3, 2004.

2005 “Exec” Gift Cards				
Certificate Type	Amount “[Board Chair]”	Amount “[Board Parent]”	Amount “Exec” Only	Total
Willmar Bucks	\$2,100.00	0	\$ 35.00	\$2,135.00
Walmart	\$ 175.00	\$760.00	\$ 70.00	\$1,005.00
Cub Foods	0	0	\$ 25.00	\$ 25.00
Total:	\$2,275.00	\$760.00	\$130.00	\$3,165.00

Source: Electronic Gift Card/Certificate Log maintained by PACT 4.

We found that the PACT 4 Director was also separately reimbursed \$360.29 for meal expenses in 2005 related to the private meetings with the Board Chair.⁵⁰ These meeting expenses were not in conformance with PACT 4’s expense reimbursement policy.⁵¹

In 2006, the logs consistently reflect either “[Board Chair]” or “[Board Parent]”. In addition, we found EAFs and acknowledgements were generally maintained to support the expenditures.⁵² According to the gift card log, the following gift cards/certificates were issued with a notation that the gift cards were for either “[Board Chair]” or “[Board Parent]”:

2006 “Exec” Gift Cards			
Certificate Type	Amount “[Board Chair]”	Amount “[Board Parent]”	Total
Willmar Bucks	\$735.00	0	\$735.00
Walmart	0	\$70.00	\$ 70.00
Total:	\$735.00	\$70.00	\$805.00

Source: Electronic Gift Card/Certificate Log maintained by PACT 4. The electronic log reflects cards issued through May 2006.

⁵⁰ The PACT 4 Board Chair informed us that the PACT 4 Director also used Willmar Bucks to pay for some meals.

⁵¹ See PACT 4 Purchasing and Reimbursement Procedure, approved by the Executive Board on August 3, 2004. Specifically, PACT 4 permitted reimbursement for meals only if the meal was connected to an overnight stay or a registration fee. Reimbursements for meeting expenses/meals were permitted, with appropriate documentation, for “meeting expenses/meals related to family/youth meetings.” PACT 4 also required itemized receipts; however, we found that ten out of fifteen receipts for these meals were not itemized receipts.

⁵² We found that the PACT 4 Director would, at times, approve her own EAF requests.

We found only one expense reimbursement submitted by the PACT 4 Director in 2006 for meal expenses related to private meetings with the Board Chair. However, it appears the reimbursement amount exceeded the maximum limit (\$13.00 for dinner).

In our 2004 audit, we recommended that PACT 4 notify recipients of the reason for the gift cards, and whether the gift cards needed to be considered as income. PACT 4 did not adopt that recommendation. To the extent the Board Chair, or others, were being compensated for services, it appears that the value of the cards would need to be treated as income by the recipient.⁵³

We recommend that PACT 4 determine whether gift cards for private meetings between the Board Chair and the Director were authorized under its policies. The meal reimbursements were not in conformance with PACT 4's reimbursement procedures. PACT 4 may wish to seek reimbursement for any unauthorized payments.

V. Gift Cards/Certificates to Meth Program Participants

Gift cards/certificates issued to the PACT 4 Director for participants in an alleged meth program also raise concerns. Specifically, the PACT 4 Director was allegedly meeting with a youth meth group, but she did not identify the participants of the group other than by initials or first names.⁵⁴

The PACT 4 Director was reimbursed \$534.60 for six meals that appear to have been held with the alleged youth meth group during the time period March 6, 2005 through June 14, 2005. PACT 4 was not provided with itemized receipts for any of these meals, in violation of PACT 4's expense reimbursement policy.⁵⁵ Two of the non-itemized receipts contain first names, two contain initials, and two contain neither names nor initials of the youths allegedly attending these meetings.

In addition, \$1,510 worth of gift cards/certificates was issued to the PACT 4 Director in connection with these meetings.

Employee 4 informed us that she runs PACT 4's four county meth advisory committee. She told us that her group consisted of two youths who are in recovery, parents, service providers, and law enforcement. She said she maintains lists of participants and meeting

⁵³ There appears to be some confusion reflected in the minutes regarding whether the issuance of gift cards would make the Board Chair "an employee". See, e.g., PACT 4 Executive Board Meeting Minutes, July 5, 2005, Item 4.c. We recommend that PACT 4 work with its attorney. The Board Chair and grant reviewers may receive stipends, and be issued Form 1099s, without being considered "employees".

⁵⁴ According to the April 7, 2005 Chief Elected Official Meeting Minutes, it was reported that PACT 4 was working with eight youths, with the possibility that others from the PRIDE Project could be involved. See Chief Elected Official Meeting Minutes, April 7, 2005, Item 14 (Methamphetamine). We have not been able to identify those youths.

⁵⁵ See PACT 4 Purchasing and Reimbursement Procedure, approved by the Executive Board on August 3, 2004.

minutes. In contrast to the PACT 4 Director's group, Employee 4's group appears to have received only \$145 in gift cards/certificates during the time period March through June 2005.

PACT 4 needs to clarify whether the PACT 4 Director was indeed conducting a youth meth group. If she was not, PACT 4 should seek reimbursement of the gift card and meal expenses related to these meetings.

VI. Conclusion

PACT 4 did not establish an appropriate control environment regarding the use of gift cards/certificates. We also found evidence of management manipulation, override of controls, and misconduct of the PACT 4 Director.

Because our examination disclosed evidence of malfeasance, misfeasance, or nonfeasance, we provided a "not public" copy of this report, dated August 14, 2006, to the Kandiyohi County Attorney, in compliance with Minn. Stat. § 6.48.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR