



#### Proper Public Purpose

Examples – Sample Policy

Fraud Triangle

Relevance of Mission

Helpful hints - Preparing for an Audit

Questions

Objectives

Proper Public Purpose Governments may not make expenditures of public monies unless they are for a valid public purpose.

A governmental action or direction *must benefit the populace as a whole.* 

Proper Public Purpose

Government entities may not make expenditures of public monies unless they are for a valid public purpose. State ex rel. McClure v Hagerman, 155 Ohio St. 320 (1951)

## Proper Public Purpose

AOS Technical Bulletins 2003-005 and 2004-002 discuss the requirements imposed by case law & AG Opinions. There are two criteria that the entity should consider when making a determination of proper public purpose.

The expenditure is required for the general good of all inhabitants, meaning its objective is the promotion of *public* health, safety, morals, general welfare, security, prosperity, and contentment of all inhabitants.

The primary objective of the expenditure is to *further a public* purpose, even if an incidental private end if advanced.

## Proper Public Purpose

#### 2 main criteria

 The expenditure is required for general good of all inhabitants.

• The primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

### Resolution Example

The Ohio AG indicated in Opinion 82-006 that because the determination of what constitutes a proper public purpose is primarily a legislative function, such decisions "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a **duly enacted ordinance** or **resolution** and may have **prospective** effect only..."

Example Finding for
Recovery
Proper Public
Purpose &
Documentation



Most findings for recovery are due lack of documentation



An expenditure may be for a proper public purpose, but lack of documentation makes it impossible to justify the expenditure

# Example - Finding for Recovery Proper Public Purpose & Documentation

Purchases were made and there was no supporting documentation on file and approval of the governing board could not be verified:

- Food \$1,500
- Gasoline \$5,000
- Travel \$12,000
- Fed Ex \$1,100

- -- Retail \$25,000
- -- Computer \$5,200
- -- Cell Phone \$9,200

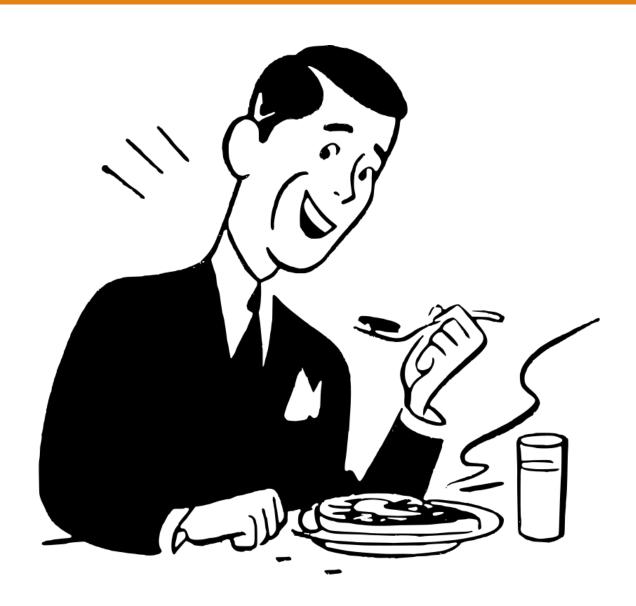


# Examples of problematic items

Credit cards & lack of itemized receipts can be problematic

Sam's Club, Office Max, Target, Restaurants, Grocery Stores, and Gasoline – personal or private?

transparency/documentation



#### Food!

- Enabling legislation
- Public Purpose of Meeting/Training
- Documented with agendas, attendance records, minutes, summaries
- Approved at management level, documented
- •Simple, de minimis expenditures
- Create a narrative about how the two criteria are met...
- •Questions? Ask before you purchase



# Documentation—Simple Food and Refreshments

- Meeting/Training agenda with purpose statements, attendance records, & minutes or summary
- Normal procurement steps lowest cost
- •De minimis analysis low in value, minimal; examine frequency; simple



#### Real Life

Under what circumstances is it PPP to make an expenditure for:

Lunch for staff

Incentives for contractors

**Training** 

Note cards for staff to use to thank members of the public or partners

For every operation audited, know the mission, the purpose and the reason for being.

Larry Sawyer

### What is your mission?

Narrate the purpose — is it Mission-related?

Avoid "Mission creep"

How does the spending decision impact the mission?



A county credit card can only be used for specific purposes per the ORC

Credit Card Usage Credit cards cannot be used for different purposes, even if such expenditures are reimbursed

Pending legislation

Current allowable purposes ORC 2913.21

Food

**Transportation** 

Gasoline/oil

Motor vehicle repair

Telephone

Lodging

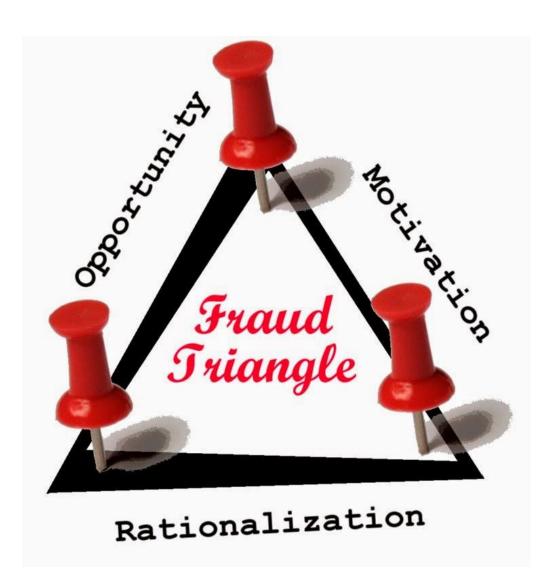
Internet service provider

Expenses for children in temporary care

### Credit Card Usage

Is it okay to use a county credit card for:

- Airline tickets for required travel out of state?
- Emergency repair of a bus?
- Hotel expenses for an elected official to attend a conference?
- Ordering supplies?



The Fraud Triangle The Fraud Triangle The fraud triangle is a framework commonly used to explain the reason behind an individual's decision to commit fraud. The fraud triangle outlines three components that contribute to increasing the risk of fraud: (1) opportunity, (2) incentive, and (3) rationalization



# Words to the Wise...

Travel & expense reimbursement

Organizational culture -

Make it comfortable to ask questions



# Clothing & Uniforms

Public Purpose?

Taxable or not?

Examples to discuss...

# Ideas to plan for an audit...Reaching In

- 1. Organizational culture
- 2. Ethics training
- 3. Cyber-readiness
- 4. Internal Control/Policies with Monitoring
- Standing agenda Items grantor communication
- 6. Organized documentation





### During the Process

- 1. Entrance conference Review timelines, understand the costs, review expectations of duties
- Ask for clarification
- 3. Communicate with team members
- 4. Respond to findings & recommendations
- 5. Learn from the process
- 6. Maintain a sense of calm & provide supervisory support

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