

Arizona, State Auditor.

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[Audit report: State College, Tempe]

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STATE OF ARIZONA

DEPARTMENT OF THE STATE AUDITOR

ARIZONA STATE COLLEGE AT TEMPE

Field Trips Investigation

1947/9

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DEPARTMENT OF
The State Auditor
STATE CAPITOL
Phoenix, Arizona

June 3, 1949

Mrs. Ana Frohmiller
State Auditor
State Capitol
Phoenix, Arizona

Dear Mrs. Frohmiller:

In compliance with your request, an investigation has been made of the method employed by the Arizona State College at Tempe in the processing of State claims for payment or reimbursement of expenses incurred in connection with field trips authorized by the college and participated in by students of the agricultural department. The investigation indicates an unjustifiable approach which could amount to mishandling in the processing of the claims, a questionable procedure in the handling of money received from the processed claims and a roundabout method of obtaining equipment for a department without going through the proper channels. It further disclosed an interesting educational angle in that students were perhaps shown, by an educator in a responsible position, a method of evading the law in obtaining money. Had it not been discovered prior to the processing of the claim by the auditor's office, \$286.30 would have been paid out on a pay roll claim of questionable validity.

In arriving at the results of the investigation, it is desired to show in chronological order the approach on

procedure followed in obtaining as complete a picture as possible of the various aspects of the conditions found.

As you know, the auditor's office first became aware of the existing situation through the medium of the telephone when an unhappy student called and complained that he had failed to receive the travel reimbursement due him. During the discussion concerning payment of the travel claim, this student stated, in substance, the following: "I guess you don't know the whole story. We did not actually receive the wages, as we were required to turn pay roll warrants back to Dr. Judd. And, as I am out the expenses of the trip in connection with the use of my car on this field trip, I am in dire need of the travel reimbursement." From this conversation the investigation had its beginning.

An analysis of the pay roll warrants substantiated, in theory, this student's comments. Each of the nine student drivers endorsed his pay roll warrant; and the subsequent endorsement appearing on all nine warrants bore the signature of B. Ira Judd, who cashed the warrants at the First National Bank in Tempe. With this discovery, it seemed apparent that everything was not on the up and up; but before proceeding further, it was decided to ascertain from the comptroller of the college the exact procedure followed by the college in paying students for expenses incurred when the students were authorized to take cars on field trips in lieu of college transportation. The procedure in use by the college had been to place the drivers of the vehicles on the state pay roll for the period of the trip and to pay them at the rate of sixty cents (60¢) per hour for the actual driving time; and then,

to have the student drivers submit travel claims for the reimbursement of expenses at the standard rate of seven cents per mile, as authorized by law for any state employee while in travel status. There has apparently been a misunderstanding or misinterpretation of the correct procedure, for the comptroller of the college states that the procedure in use had the sanction of the auditor's office. However, the state auditor's employees do not believe that the practice was sanctioned and they point out that the other state college and the university handle expenses incurred in connection with field trips in an entirely different manner.

Not knowing what the outcome of the investigation would be, it was decided that the next step should be to contact Dr. Judd and see if he had actually obtained the money from the student drivers. Dr. Judd stated, in substance, the following: That he had asked the students to turn the money over to him and that he was holding the money until the status of the students' travel claims had been settled and that if the travel claims were disapproved by the state auditor's office, he would distribute the money back to the student drivers. With this comment, it was decided to discontinue further conversation with Dr. Judd and attempt to contact a few of the nine student drivers involved and find out from them, if possible, exactly what request had been made of them regarding the pay roll warrants that they had turned over to Dr. Judd. The consensus of opinion of the students contacted was as follows: That they were to be reimbursed at the rate of seven cents per mile for the use of their car which was to cover the car expenses for the field trip and that the \$12.60 received

as wages was to be turned over to the agricultural department to help defray other departmental expenses.

Having progressed to this point and knowing that other field trips had been taken in the past, it was decided to review all previous claims submitted to and paid by the auditor's office to see if the students who had taken their cars on previous trips had retained not only the money received as travel reimbursement but the wages paid them while on the state pay roll for the period of the field trip. This analysis was startling in some respects and opened up another fertile field to carry on the investigation; for the students on these field trips had to all indications turned their wage warrants over to Dr. Judd. With this information at hand, the next step was to try and contact these former students. A few of these students were contacted and their remarks were substantially the same as those of the students who were contacted with reference to the current field trip. In reporting on this phase, it is well to segregate the remarks into two classes: First, the wage warrants of the student drivers who attended the last summer session of school (1948), and secondly, the students who attended school in the previous academic years (1947-48). The warrants of the five students who attended summer school were endorsed by the student with the subsequent endorsement of B. Ira Judd. The succeeding endorsement on four of these warrants carried the "For Deposit Only" stamp impression of the Western Savings and Loan Association and the fifth warrant carried the "For Deposit Only" stamp impression of the Arizona Savings and Loan Association. The warrants of the students who attended school in the past academic year were all endorsed by the students

and subsequently endorsed by B. Ira Judd who cashed all of these warrants at the college's business office. However, we have in the case of one individual a slightly different problem. She also turned over her travel reimbursement warrants to Dr. Judd and requested that he use not only the money from her wage warrants but also the travel warrants to purchase a reference book or some other equipment for the department. The travel warrants can be placed in a similar category, in that, this money when received should have been deposited with the business office for credit to their collections fund account, maintained with the state treasurer, and then disbursed in the proper manner as provided by law.

With the investigation nearing completion, it was decided that the college authorities should be informed of the facts uncovered and that Dr. Judd should be contacted to explain why the students had turned the money over to him and also to what use this money had been put. While waiting for the meeting, and after the documents and information relating to the situation were gathered together, the submission of the aforementioned claim for \$286.30 made apparent a condition, which if proved correct would indicate that the college students were receiving a liberal education in the art of obtaining money under false pretenses by the underhanded method of signing time slips certifying that work had actually been performed when no work had been done. A time slip showing a number of hours worked during the first half of May was signed by each of the nine drivers who had not yet received reimbursement for travel expenses incurred in the recent field trip. Each of the above time slips were certified correct by Dr. Judd. A claim

was then prepared by the business office and approved for payment by the comptroller of the college. The claim was forwarded to the state auditor's office for payment but this claim was questioned, compared as to names and held pending the outcome of the investigation.

A meeting was held in the office of the President of the college on June 1, 1949, with the following personnel present:

Dr. Grady Gammage, President of the College
Dr. B. Ira Judd, Head of the Agricultural
Department
Gilbert Cady, Comptroller of the College
Osborne Walker, representing Mrs. Ana Frohmiller,
State Auditor
Quentin H. Evers, Investigator - State Auditor's
Office

All of the above facts discussed with the exception of the questionable claim for \$286.30 were presented to Dr. Judd who had, in effect, the following comments to make: (1) I have returned \$12.60 each to eight of the nine students and I have been unable to return the \$12.60 to the other student as he has left school. I have their signatures on this paper to show that this money has been returned. (2) The other wages mentioned were turned over to me to purchase additional equipment for my department. This also includes the case of a Mrs. Stump whose pay warrants and also travel warrants were turned over to me entirely voluntarily on her part.

The presentation of the questionable claim for \$286.30 was then brought up and Dr. Judd stated, in effect, the following: I was reasonably sure that the students would not receive their travel pay for the last trip; so I decided to present a pay roll claim which would approximately equal the amount of their travel vouchers which were being held up by the state auditor's

office. The students did not perform the services shown on the payroll claim.

With the questions answered, it was decided by the members present and agreed to by Dr. Judd that the state should be reimbursed for all wage money turned over to Dr. Judd by the various students, and that Dr. Judd should furnish an itemized statement of what was purchased for the college with the money collected, and further that Dr. Judd could file a claim for reimbursement. The amount that Dr. Judd could be held responsible for is as follows:

Wage Warrants

| <u>Name of Student</u> | <u>Warrant Number</u> | <u>Date of Warrant</u> | <u>Amount</u> | <u>Total</u> |
|------------------------|-----------------------|------------------------|---------------|--------------|
| Ashby, Benjamin | S62898 | May 4, 1949 | \$12.60 | |
| Bensch, Ernest, Jr. | S62901 | May 4, 1949 | 12.60 | |
| Cooper, Nel S. | S62906 | May 4, 1949 | 12.60 | |
| Grabe, Weldon C. | S62913 | May 4, 1949 | 12.60 | |
| Gray, Hollis B. | S62914 | May 4, 1949 | 12.60 | |
| Jones, Grant | S62923 | May 4, 1949 | 12.60 | |
| Reid, Lester W., Jr. | S62937 | May 4, 1949 | 12.60 | |
| Turner, Thomas W. | S62943 | May 4, 1949 | 12.60 | |
| Wells, Welborn L. | S62947 | May 4, 1949 | 12.60 | \$113.40 |

All of this money with the exception of the amount paid to one student had been returned to the students according to Dr. Judd. These warrants were cashed by Dr. Judd at the First National Bank at Tempe.

| | | | | |
|-----------------------|--------|---------------|---------|--------|
| Hunsaker, Hal V. | S69477 | June 30, 1948 | \$25.50 | |
| Pincert, Edward O. | S69491 | June 30, 1948 | 25.50 | |
| Schneider, Mabelle | S69495 | June 30, 1948 | 25.50 | |
| Thompson, William Lee | S69498 | June 30, 1948 | 25.50 | 102.00 |

These warrants were deposited or cashed by Dr. Judd with the Western Savings and Loan Association.

| | | | | |
|---------------------|--------|---------------|--|------|
| Largent, Merrill E. | S69482 | June 30, 1948 | | 9.60 |
|---------------------|--------|---------------|--|------|

This warrant was deposited or cashed by Dr. Judd with the Arizona Savings and Loan Association.

| | | | | |
|-----------------------|--------|----------------|---------|-------|
| Dunn, John C. | S48094 | March 18, 1948 | \$ 6.00 | |
| Hines, Leonard H. | S48102 | March 18, 1948 | 6.00 | |
| Moore, Thomas W. | S48111 | March 18, 1948 | 6.00 | |
| Plants, Warren J. | S48120 | March 18, 1948 | 6.00 | |
| Swoboda, Francis Mike | S48125 | March 18, 1948 | 6.00 | 30.00 |

Wage Warrants (Continued)

| <u>Name of Student</u> | <u>Warrant Number</u> | <u>Date of Warrant</u> | <u>Amount</u> | <u>Total</u> |
|------------------------|-----------------------|------------------------|---------------|--------------|
|------------------------|-----------------------|------------------------|---------------|--------------|

These warrants were cashed by Dr. Judd at the college business office.

| | | | | |
|-----------------|--------|------------------|-------------|---------|
| Stump, Mabel R. | S35386 | January 20, 1948 | \$ 5.48 | |
| Stump, Mabel R. | S20071 | November 5, 1947 | <u>4.00</u> | \$ 9.48 |

These warrants were cashed by Dr. Judd at the college business office.

| | | | | |
|---------------------|--|--|--|-----------------|
| Total Wage Warrants | | | | <u>\$264.48</u> |
|---------------------|--|--|--|-----------------|

Travel Warrants

| | | | | |
|-----------------|-------|------------------|-------------|----------|
| Stump, Mabel R. | 32726 | January 28, 1948 | \$14.25 | |
| Stump, Mabel R. | 24428 | December 3, 1947 | <u>5.00</u> | \$ 19.25 |

These warrants were cashed by Dr. Judd at the college business office.

| | | | | |
|------------------------|--|--|--|-----------------|
| Total to be reimbursed | | | | <u>\$283.73</u> |
|------------------------|--|--|--|-----------------|

In concluding the investigation, the following points should be stressed:

(1) It was brought out by the representatives of the state auditor and agreed to by the college authorities that wage payments should not be made to students for time spent in driving their personal cars on field trips in which they are participants. Such students are receiving instruction and college credit for the time spent on the field trip and the only additional consideration that they should receive is reimbursement for the use of their car at a rate not to exceed seven cents per mile.

(2) The Arizona State College at Tempe, through Dr. B. Ira Judd and the students named, would be held responsible for the reimbursement of all unearned wages paid to students and turned over to Dr. Judd. This amounts to \$264.48.

(3) The college, through Dr. Judd, would be held

responsible for the reimbursement of the amount paid to Mrs. Stump for travel performed, as any money given to a member of the college for the purchase of additional reference books or equipment should be deposited with the college and then disbursed in the manner provided by law. This amounts to \$19.25.

(4) The students, Dr. Judd, and the college should be informed of the severe penalties provided by law for attempting to obtain state money under a disguise and in a fraudulent manner. Section 43-1706, Arizona Code 1939, reads as follows: "Presenting False Claim. Every person who, with intent to defraud, presents for allowance or for payment, to any public board or officer, authorized to allow or pay the same, if genuine, any false or fraudulent claim, bill, account, voucher, or writing, is guilty of a felony." Attention is also directed to the decision of the Arizona Supreme Court in the case of the State of Arizona vs Harris (41 Ariz. 311). Section 12-501, Arizona Code, 1939, reads as follows: "Officers and persons liable. Whenever any person whose duty it is to approve, audit, allow, or pay, claims or demands upon the state, shall approve, audit, allow or pay or consent to, or connive at, the approving, auditing, allowing, or paying of, any claim or demand against the state not authorized by law, such person, and the party in whose favor such claim or demand was made, shall be liable for any money thereby procured, and twenty (20) per cent additional thereon, and legal interest upon such payment from the date thereof."

The parts taken by the various parties involved in the presentation of the questionable pay roll claim are as

follows:

(a) The students for signing the time slips certifying that they had actually performed services and were entitled to the wages, when they had full knowledge that such services had not been rendered.

(b) Dr. Judd for certifying the correctness of the time slips and apparently initiating the subterfuge of presenting a pay roll claim which appeared to be not only fraudulent in itself, but which if paid would have resulted in a duplicate payment to the payees upon the clearance of their travel claims which are now pending in the office of the state auditor. Dr. Judd has apparently influenced impressionable college students into perhaps unwittingly committing an act for which they could be judged guilty of a felony.

(c) The Board of Regents through their representative Gilbert Cady for certifying to the correctness of this questionable pay roll.

Respectfully submitted,


Quentin H. Evers