

February 27, 1995  
ILR 95-B

Senator Stephen Rees  
Utah State Senate  
State Capitol Bldg  
Salt Lake City UT 84114

**Subject: UTA General Manager Purchasing Materials**

Senator Rees,

As you requested, our office reviewed your concerns that John Pingree, general manager of UTA, may be making purchases using UTA contracts and commingling personal coins with UTA's bus fares.

Our review found that the general manager did purchase some materials from a UTA contract and in addition, utilized UTA's coin counting service. However, it appears that Pingree's coins were counted separately and not commingled with those of UTA.

Specifically, you had two concerns. First, on one occasion, John Pingree purchased some materials from Sherwin Williams Paints and was sent a bill and then another copy of the same bill was sent to UTA to pay. Second, you expressed a concern that John Pingree, on a routine basis, commingles coins from his personal vending machine business with the coins from UTA's buses. This is a concern since this service is not provided, by policy, to other employees of UTA and no fee is charged for the service. In this report, we will explain each of these areas.

**Purchases Through UTA Contracts**

Through our review of purchases made by the general manager of UTA, we determined that on two occasions, John Pingree did use UTA contracts to purchase personal items. However, other employees of UTA could utilize the same service, if they were aware that it existed. It does not appear that John Pingree received a special discount or service that other UTA employees would not receive. We do recommend, however, that in the future, John Pingree ensure that he pays sales taxes on these purchases since, on one occasion, he did not.

On one occasion, a bill was sent to UTA from Sherwin Williams Paint for the amount of \$83.79. On the bill is a handwritten note indicating that this bill was John Pingree's. John Pingree admitted that he shops at the Sugarhouse Sherwin Williams store where the bill came from but he states that the items purchased are only for his personal use. In addition, the original charge invoice has John Pingree's name on it indicating the bill was for him. In discussions with UTA's accounting staff, they indicated that occasionally personal bills accidentally come across their desk. They immediately know when the bills are personal because three control items must exist for them to pay any bill; a purchase order, a delivery receipt that has the proper signature, and a requisition release that has the proper signature. There was no record of any of these three items existing for the Sherwin Williams bill. When a personal bill is received, the accounting staff remand it back to the employee. John Pingree said that the bill from Sherwin Williams was brought to his attention and he paid it himself.

Our review of this allegation indicates that John Pingree purchased some items for his personal use, charging them to a UTA account at Sherwin Williams but that the bill was not paid by UTA, but rather by John Pingree himself. At our request, management from the parent Sherwin Williams store researched their computer files for a 12-month period and could find no other billings to UTA under John Pingree's name. We could find no record of UTA paying this bill for John Pingree. Additionally, during our review, this was the only personal bill of John Pingree's that we were able to find that had been given to UTA accounting staff within the last year.

It appears that this transaction is much the same as other state employees buying goods off a State of Utah contract in order to obtain a contract price on goods. Many stores will voluntarily honor the state contract for state employees. There is nothing to indicate that other UTA employees would be prevented from using the same service. The only criticism we have in this case is that sales taxes were not charged by the store for John Pingree. Even though it was a UTA account, John Pingree should have let the store know that it was for personal use and that sales tax should be charged. It appears that there was some confusion by the Sherwin Williams store as to whether the bill was for UTA or just John Pingree. Mr. Pingree stated that in the future, he will make sure that he requests sales taxes to be charged.

On another occasion, John Pingree purchased some tires from Desert Tire, a Salt Lake distributor for Goodyear Tire Company which has a contract with UTA. Mr. Pingree states that he did buy some tires from Desert Tire for a personal car because they gave him a good deal because of his association with UTA. We discussed this matter with the manager of Desert Tire and he said that he does have a contract with UTA but he does not sell tires to UTA employees for the contract price. In order to sell any tires on the contract price, he has to have a purchase order from UTA to send into Goodyear. However, he will give good deals to employees or companies he has on his contract but it will be for more than the contract price. He further said that what he did for John Pingree, he would do for any UTA employee that came in to buy tires.

Senator Stephen Rees  
February 27, 1995  
Page 3

In a discussion with the Goodyear Tire Company, they said that their records show that John Pingree paid cash for this purchase which indicates it was not for the UTA contract price.

We recommend that in the future, UTA make clear that all employees can make purchases from a UTA contract and that it not be limited to only certain employees. In addition, we recommend that sales tax always be paid by employees for personal items purchased FROM UTA contracts.

### **UTA Coin Counting Service Used By General Manager**

Our review of this area indicates that John Pingree's coins were not commingled at UTA's bank but rather UTA counted Pingree's coins as a service. We feel that it is not appropriate for UTA to provide a coin counting service free of charge to its employees. In discussions with UTA's accounting staff and John Pingree, we found that John Pingree has several washing machines located at various apartment complexes. On several occasions, he has brought the coins into UTA's accounting department and asked them to run the coins through the coin counters that UTA uses for their bus fares. Once the coins are counted, the accounting staff deposit the coins as UTA's and then write John Pingree a check for the amount of his coins. Our review found that the money is not commingled at the bank so the bank is not providing a service to John Pingree. Rather, the money is changing hands before it is ever deposited in UTA's bank account.

It is not appropriate for these activities to be taking place, particularly since UTA is not charging for this service. UTA has its own coin counting machine to count loose coins. This service has been provided to the general manager free of charge. However, banks will typically charge smaller customers a modest fee for the service of counting coins. John Pingree, the UTA board, and UTA's accounting staff have agreed that they will no longer allow this practice to occur.

If you have any questions regarding this report, or need additional information, we will be happy to meet with you.

Sincerely,

Wayne L. Welsh, CPA  
Auditor General

WLW:SDP/lm