

Illegal or Unauthorized Expenditures

#F07-02

Memo dated: January 26, 2007

The County's auditing firm, Rehmann Robson, recently submitted a letter to its clients informing them of revisions to various auditing procedures. Included with this communication were guidelines for determining lawful and unlawful expenditures of public funds. The Michigan Department of Treasury has identified some of the most common examples of unlawful expenditures which are listed below:

- Office refreshments (e.g., coffee, water and donuts) or picnics
- Contributions or donations – including the use of property or equipment – to churches, veterans, community or nonprofit organizations (e.g., Big Brothers/Sisters, Scouts)
- Flowers to the sick or departed
- Presents to officials and employees or retirement recognition events
- Donations to a private ambulance or EMS service not under contract with the governmental unit

To further clarify, the expenditure for office refreshments is allowable if it is considered to be for a public purpose. For example, coffee and donuts are considered to be for a public purpose if they are available to the general public (such as at an open meeting).

Amounts paid to a nonprofit organization to administer a program or activity with a public purpose are allowable, if the government enters into a legal contract with the organization.

Although these expenditure guidelines have been previously publicized, many departments may remain unaware of these restrictions. **It is imperative that ALL County departments observe these expenditure guidelines in a uniform and consistent manner.** This will avoid the need for our auditors to cite illegal or unauthorized expenditures in the audit.

Any unlawful expenditure by County departments identified by Rehmann Robson will result in notification to the State of Michigan.