



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

June 8, 2023

Members of the Arizona Legislature

The Honorable Katie Hobbs, Arizona Governor

Governing Board
Gila Bend Unified School District

The Honorable Kris Mayes, Arizona Attorney General

The Honorable Tom Horne, Arizona State Superintendent of Public Instruction

We have conducted a financial investigation of certain Gila Bend Unified School District (District) transactions for the period June 2019 through August 2019. We performed the investigation to determine the amount of public monies misused, if any, during that period.

The investigation consisted primarily of inquiries, observations, examinations of selected financial records and other documentation, and selected tests of internal control over District credit cards. The investigation was not conducted in accordance with U.S. generally accepted auditing standards and was more limited than would be necessary to ensure we discovered all misused public monies or to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies are disclosed.

The Financial Investigation Report describes our findings and recommendations resulting from this investigation.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Gila Bend Unified School District Criminal Indictment—Conspiracy, Fraudulent Schemes, Misuse of Public Monies, and Theft

SYNOPSIS: As part of their responsibility to prevent and detect fraud, Gila Bend Unified School District (District) officials took appropriate action by reporting to us alleged financial misconduct by former District employees Margaret Perry, secretary, and her daughter, Lindsey Fernandez, accounts payable clerk. Our investigation revealed that from June 2019 through August 2019, they may have participated in unauthorized Amazon purchases totaling \$1,476. We have submitted our report to the Arizona Attorney General's Office, which on May 31, 2023, presented evidence to the State Grand Jury. The action resulted in Ms. Perry and Ms. Fernandez each being indicted on 4 felony counts related to conspiracy, fraudulent schemes, misuse of public monies, and theft.

Overview

Located in Maricopa County, the District had fiscal year 2021 revenues of approximately \$7.8 million and provided public education to about 430 students from prekindergarten through the 12th grade. The District's 2020 poverty rate was 34 percent, and about 75 percent of the students qualified for free/reduced price meals. Due to its failure to comply with the *Uniform System of Financial Records* (USFR) for fiscal year 2019, the Arizona State Board of Education began withholding 3 percent of the District's State aid in November 2021 continuing through this report date.¹

Ms. Perry began her District employment in 1985 as an administrative assistant and became District and governing board secretary in July 2003. In this position, her responsibilities included using a District credit card, primarily to purchase school-related items at local dollar stores. Ms. Fernandez began her District employment in 1999 as a teacher's aide and became the accounts payable clerk in July 2012. In this position, her responsibilities included reconciling District credit card statements to receipts and initiating the issuance of District warrants to pay the credit card, as well as other District bills. Both Ms. Perry and Ms. Fernandez resigned on August 16, 2019, shortly before a District review of fiscal year 2019 credit card transactions revealed their alleged unauthorized purchases.

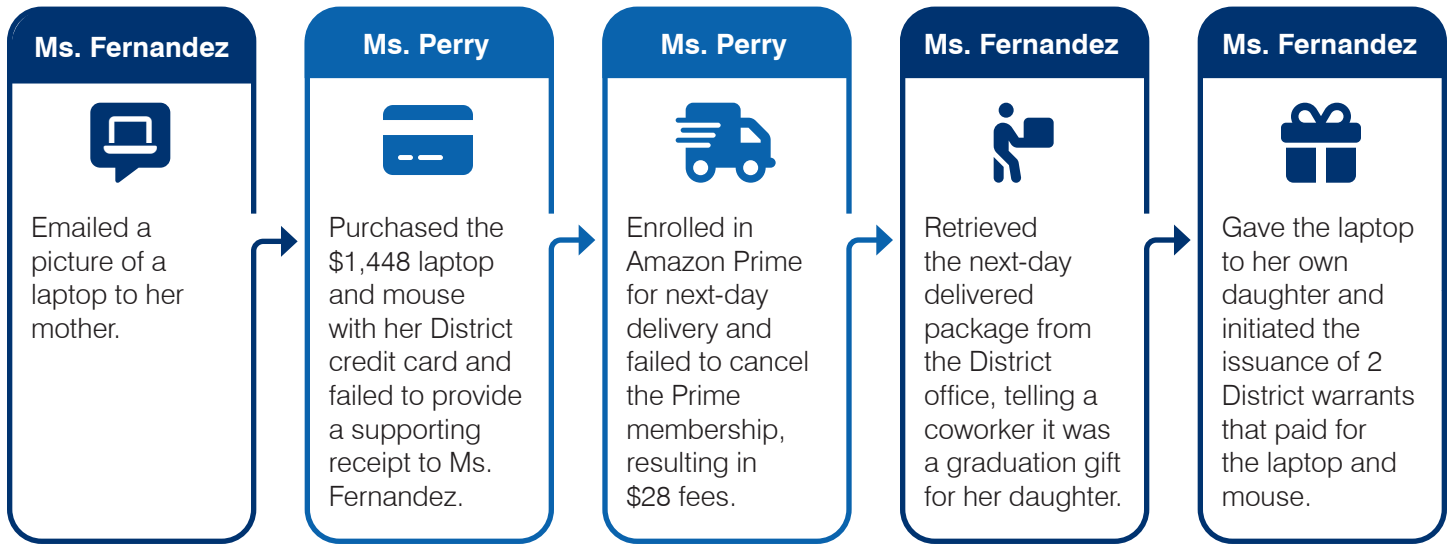
Ms. Perry and Ms. Fernandez may have participated in unauthorized Amazon purchases totaling \$1,476

On June 20, 2019, after receiving an email from Ms. Fernandez with a specific laptop picture but no written message, Ms. Perry used her District credit card to purchase from Amazon that laptop and a mouse totaling \$1,448 and an Amazon Prime membership, the benefits of which included next-day delivery. On June 21, 2019, Ms. Fernandez retrieved the package from the District office, remarking to a coworker that it was a graduation gift for her daughter, to whom she gave the laptop on or around the same day.

Ms. Perry did not cancel the Amazon Prime membership. As a result, membership costs associated with this laptop/mouse purchase totaling \$28 were charged to the District credit card before the District canceled the card after Ms. Perry's August 2019 resignation, resulting in total unauthorized purchases of \$1,476. Likewise, before Ms. Fernandez resigned in August 2019, she prepared documents for the issuance of 2 District warrants used to pay down District credit card balances, which included the laptop/mouse purchase. Although District credit card purchases should be supported with documentation, Ms. Perry failed to provide a receipt to Ms. Fernandez.

¹ The USFR prescribes the minimum internal control policies and procedures used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

How mother (Ms. Perry) and daughter (Ms. Fernandez) conspired to make unauthorized Amazon purchases



Former District officials failed to implement basic credit card controls

Former District officials allowed employees to use District credit cards without adequate oversight. Specifically, they failed to consistently ensure employees submitted supporting documentation for credit card purchases such as purchase requisitions, purchase orders, invoices, and transaction receipts to allow for adequate review and approval, including verification that the purchase was for an appropriate District purpose. Additionally, they failed to require employees to sign cardholder agreements. Finally, although Ms. Fernandez was responsible for reconciling District credit card statements to receipts, she failed to consistently do so, and former District officials took no action to resolve her failure. Accordingly, some payments were made toward the credit card balances without proper review and approval of supporting documents.

Recommendations

In the time since our investigation began, District officials reported to us that they improved internal controls over credit card procedures by closing all individually assigned credit cards; keeping the 2 District-assigned credit cards in the business office safe; using a log to document to whom and when those credit cards are signed out and returned; requiring an independently approved purchase order for employees signing out a credit card; requiring card users to sign a cardholder agreement and submit required supporting documentation; performing monthly reconciliations of credit card statements to supporting documentation; and ensuring these duties are adequately separated among employees. However, the District can take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, District officials should:

- Limit credit card users to purchases of items on existing contracts that have been properly procured or where competitive purchasing is not required.
- Ensure employees with credit card responsibilities receive timely and continuous training on proper credit card procedures and document their understanding in writing.
- Ensure District management conducts periodic compliance audits to test card transactions for adherence to District policies.