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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

February 23, 2015

Members of the Arizona Legislature

Governing Board
Glendale Union High School District

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Diane Douglas, Arizona State Superintendent of Public Instruction

The Office of the Auditor General (Office) has conducted a special investigation of the Glendale Union High School District (District) for the period November 2008 through April 2010. The Office performed the investigation to determine the amount of public monies misused, if any, during that period and the extent to which those monies were misused.

The investigation consisted primarily of inquiries and examination of selected financial records and other documentation. Therefore, the investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, the Office does not express an opinion on the adequacy of the financial records or the internal controls of the District. The Office also does not ensure that all matters involving the District's internal controls, which might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that may require correction or improvement, have been disclosed.

The Special Investigative Report describes the Office's findings and recommendations as a result of this special investigation.

Sincerely,

Debbie Davenport
Auditor General

Attachment



**SPECIAL
INVESTIGATIVE
REPORT**

District overview

Our Conclusion

As part of its responsibility to prevent and detect fraud, district administration took appropriate action by reporting a fraud allegation to our Office. Consequently, we conducted an investigation revealing that from November 2008 to April 2010, Shannon May, former school bookstore manager, may have violated state laws related to theft, misuse of public monies, fraud schemes, and forgery when she embezzled \$70,382 of bookstore receipts that should have benefited students. Specifically, Ms. May deposited in district bank accounts only a portion of receipts collected at the bookstore. Although there were no records to indicate how she used the more than \$70,000 she embezzled, Ms. May deposited in her own bank accounts \$38,210 of cash. Ms. May abused her authority as the bookstore manager and took advantage of the District's lack of oversight and inadequate controls over bookstore receipts.

On February 18, 2015, the Arizona Attorney General's Office presented evidence of Ms. May's alleged crimes to the State Grand Jury, resulting in her indictment on five felony counts.



2015

District operates high school bookstores to help support students' education and activities—The Glendale Union High School District's (District) bookstores serve students, their parents, and other individuals who submit student activity fundraising receipts, make extracurricular activity tax credit donations, and pay school-related fees, such as those related to athletics, replacement identification cards, and parking permits. The Independence High School (IHS) bookstore, which is one of nine district high school bookstores, served more than 1,900 students during fiscal year 2014.

Ms. Shannon May worked for the District from September 2006 to May 2010—In September 2006, Ms. May began her employment with the District as the IHS bookstore manager. In addition to operating the bookstore, Ms. May was responsible for preparing district checks when student clubs requested a purchase. She did not have authority to approve purchases or sign checks. On April 30, 2010, IHS officials received information regarding a district check containing a forged signature. The following Monday, IHS officials met with Ms. May and determined she had improperly prepared a district check, forging the IHS assistant principal's signature and using the principal's signature stamp without authorization, when she attempted to buy a personal item for herself.¹ Ms. May then submitted her immediate resignation. As part of its responsibility to prevent and detect fraud, the District took appropriate action by reviewing IHS bookstore accounts and found no other improperly issued checks. However, the District discovered other financial discrepancies relating to bookstore collections and deposits and requested assistance from our Office.

Ms. May embezzled and misused \$70,382 of public monies that should have benefited IHS students

Ms. May manipulated IHS bookstore deposit records to personally receive \$70,382—Ms. May embezzled and misused \$70,382 of public monies by taking customer cash payments made at the IHS bookstore. Specifically, from November 2008 to April 2010, the bookstore collected proceeds totaling \$456,912. However, instead of depositing all of these monies in district bank accounts, Ms. May employed a skimming scheme by continually depositing only a portion of these bookstore receipts totaling \$386,529 in district bank accounts. Therefore, Ms. May intentionally withheld \$70,382 from the deposits. In fact, she rarely deposited in district bank accounts the full amount listed on cash register summary tapes, and she consistently falsified deposit records, declaring and depositing in district bank accounts less monies than actually received. Ms. May was able to do this without detection because she had sole responsibility for reconciling monies collected to the cash register summary tapes and for preparing deposits. Ms. May embezzled and misused public monies by abusing her authority as the bookstore manager and taking advantage of the District's lack of adequate oversight and internal control policies and procedures, including segregating cash-handling and recordkeeping functions.

¹ This check was not cashed or deposited and was later voided by the District.

Ms. May deposited more than \$38,000 cash in her personal bank accounts—Although there were no records or receipts that indicated how Ms. May used the \$70,382 embezzled from the District, we determined that from November 19, 2008 through May 8, 2010, the week ending with her resignation, Ms. May deposited cash totaling \$38,210 in her personal accounts that were held at the same bank as the district accounts. In fact, during this time frame, Ms. May visited the bank 65 times to make her personal cash deposits, with daily amounts ranging from \$40 to \$2,200; whereas, she made district deposits only 49 times. Ms. May commingled the cash deposits with her salary and other personal monies. She then used these monies for her personal benefit, including paying for her retail, travel, and entertainment purchases and her household and personal debt expenses. In fact, Ms. May made some of these cash deposits when her account balance was insufficient to cover her personal expenses.

In contrast, Ms. May made nominal cash deposits in her personal accounts after she resigned from the District. Specifically, during the 6 months after her resignation, she deposited only \$385 in cash whereas she deposited \$14,110 in cash during the 6 months prior to her resignation.

District failed to provide adequate oversight and maintain effective internal controls

The District did not adequately segregate cash-handling duties or establish compensating controls to ensure that all monies received were properly recorded and deposited with the District. Specifically, Ms. May was responsible for collecting and documenting cash receipts as well as preparing and making deposits. However, no one reviewed or reconciled cash register summary tapes to actual district deposits to compensate for this lack of segregation of duties. Consequently, Ms. May was able to underreport cash collections on deposit records that went undetected for at least 1.5 years. Lastly, Ms. May was allowed unrestricted access to the principal's signature stamp, which allowed her to use the stamp without his authority.

Recommendations

In the time since the Office of the Auditor General's investigation began, district administrators stated that they implemented improvements to controls over the District's bookstore operations. Specifically, district administrators reported that they implemented a new bookstore student payment system that allows administrators to monitor and review bookstores' financial activity online and in a timely manner. The District also hired an internal auditor who oversees bookstore operations, reviews reconciliations between the student payment system and accounting records and bank statements, and conducts monthly meetings and annual trainings regarding cash-handling procedures. However, the District could have taken and should still take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, the District should:

- Ensure that no single employee has responsibility for cash-handling and recordkeeping functions. Specifically, the bookstore employee who receives and documents the cash collections should not also reconcile receipts to cash collections or prepare the deposit.
- Continue to provide training to district employees responsible for collecting monies to educate them about district and *Uniform System of Financial Records for Arizona School District* policies and procedures concerning cash receipts. For accountability purposes, the District should consider requiring employees to sign a training log or form acknowledging their understanding of these policies and procedures. This form can be maintained in a master file or within each employee's personnel file.
- Develop and implement policies and procedures regarding the use of check signature stamps, including ensuring they are adequately safeguarded and can be accessed and used only by the person whose signature they represent.