



In 2021, we received 41 fraud-related allegations concerning school districts, counties, cities and towns, State agencies, universities, community college districts, and special taxing districts. We evaluated all allegations to determine sufficiency of evidentiary documentation and whether the issue would best be resolved through a financial investigation or further review by independent auditors or separate regulatory agencies.

## Financial investigations

### 2021 reports issued

We issued 6 financial investigations that led to prosecuting agencies obtaining 30 criminal charges against 8 individuals. These charges related to theft, misuse of public monies, fraudulent schemes, forgery, conflict of interest, computer tampering, false filing, purchase of appointment to office, and preparing a false return.

- A **Higley Unified School District** superintendent and her acquaintance respectively received \$62,500 and \$43,000 from District vendors without either of them claiming these monies as income on their respective State income tax returns. The superintendent participated in certain District decisions involving these vendors and failed to disclose a substantial interest in connection with such decisions.
- A **Gadsden Elementary School District** payroll specialist allegedly altered data in the District's payroll system to either stop her payroll deductions of health insurance premiums totaling \$7,791 while still maintaining District-provided health insurance or to conceal her actions. Additionally, by these same system-altering actions, she prevented the related employer and employee health insurance premiums totaling \$20,439 from being paid to a District trust account for its self-insurance plan costs.
- A **Department of Education** Career and Technical Education programs of study director allegedly instructed a **Valley Academy for Career and Technical Education (VACTE)** superintendent to deposit in her personal business checking account \$7,500 of federal Carl D. Perkins grant monies he awarded to VACTE, resulting in her preparing 3 false VACTE documents.
- A **Tucson Unified School District** bookstore finance manager at Pueblo High School may have embezzled \$2,974 of monies received at the bookstore. She also failed to deposit checks totaling \$3,309, depriving Pueblo High School of its revenue.
- A **Sunnyside Unified School District** Parents as Teachers program coordinator allegedly falsified, or directed a subordinate employee to falsify, District records to conceal her failure to comply with District purchasing requirements when she obtained services for 2 separate projects totaling \$3,874, one of which was completed by her daughter. The coordinator also failed to disclose her conflict of interest until after the District paid her daughter.
- A **Wickenburg Unified School District** director of operations participated with a District contract award to a vendor he had an undisclosed conflict of interest with, and he may have created false price quotes for other unrelated District contracts.

We issued 1 financial investigation that led to a prosecuting agency bringing civil action against 2 individuals.

The action is pursuant to the Arizona Racketeering Act and seeks recovery of public monies illegally paid.

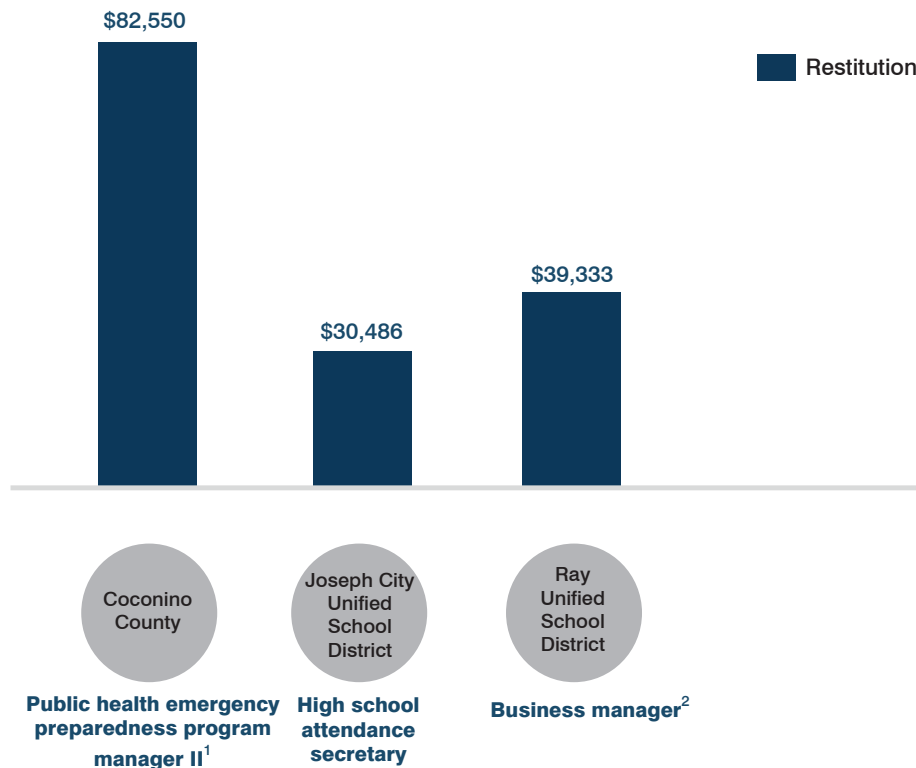
- A **Santa Cruz County Sheriff's Office** sheriff and captain may have illicitly authorized \$196,842 of compensation by directing Sheriff's Office employees to record unworked overtime hours on their time sheets. This investigation resulted in the Arizona Attorney General's Office bringing civil action against the sheriff and captain, seeking recovery of \$196,842.

|                     |
|---------------------|
| \$242,729           |
| TOTAL LOSSES        |
| 8                   |
| GOVERNMENT ENTITIES |
| 30                  |
| CRIMINAL CHARGES    |
| 1                   |
| CIVIL ACTION        |

## 2021 prosecutorial outcomes

Three individuals previously charged as a result of our financial investigations pleaded guilty and/or were sentenced. These charges related to misuse of public monies, fraudulent schemes, and theft. As shown in the chart below, these individuals stipulated to or were sentenced for up to a combined total of 1 year and 10 months of incarceration, 14 years of probation, and \$152,369 in restitution.

### 2021 offender plea agreements and/or sentences: restitution, incarceration, and probation terms



|           |          |         |               |
|-----------|----------|---------|---------------|
| Jail      | 9 months | 1 month | 0 — 12 months |
| Probation | 11 years | 3 years | TBD           |

<sup>1</sup> The program manager II also repaid \$1,762 of embezzled monies to Navajo County prior to sentencing.

<sup>2</sup> The business manager had not been sentenced at publication time. Presented terms are those agreed to in her plea agreement and are subject to court approval. Agreed-upon restitution amounts include \$38,333 to the Arizona School Risk Retention Trust, \$900 to American Youth Soccer Organization, and \$100 to the District. As a term of her probation, the business manager may serve up to 1 year in jail.

# Fraud prevention and detection



We provided victim government entities with 21 specific ways to improve internal controls directly related to their losses to help them protect public monies from future misuse.

We performed fraud risk reviews at certain government entities by evaluating high-risk areas such as purchase card usage, cash receipts, external bank account disbursements, nonpayroll disbursements, procurement, and conflicts of interest. We communicated our results, including instances of possible waste and abuse, to audit teams to evaluate the results' impact on entities being audited and their stakeholders. Accordingly, those audit reports include findings related to unreconciled cash receipts and noncompliance with conflict-of-interest law as well as recommendations for entities to improve internal controls over those areas and thereby help decrease the risk of fraud, waste, and abuse.



Our financial investigators conducted 3 fraud prevention and detection trainings for fellow employees and public procurement professionals bringing awareness to public fraud and corruption, the forces that drive them, and best practices to prevent them.

We issued a **Fraud Prevention Alert** to Arizona state and county government finance officials regarding payroll disbursement frauds. This alert outlines how certain payroll disbursement frauds occur and what actions management can take to deter and detect them.



One of our financial investigators served on the board of directors for the Arizona chapter of the Association of Certified Fraud Examiners, Inc., the world's largest anti-fraud organization dedicated to preventing and detecting fraud through education and training.