



LINDSEY PERRY, CPA, CFE
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

August 9, 2018

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board
Western Arizona Vocational Education 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 financial investigation of Western Arizona Vocational Education District finance department for the period November 2011 through August 2016. The Office performed the investigation to determine the amount, if any, of public monies misused during that period.

The investigation consisted primarily of inquiries, observations, examination of selected financial records and other documentation, and selected tests of internal control over Western Arizona Vocational Education District operations. 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 as a result of this investigation.

Sincerely,

Lindsey Perry
Auditor General

Attachment

Western Arizona Vocational Education District Criminal Indictment—Theft and Misuse of Public Monies

SYNOPSIS: As part of its responsibility to prevent and detect fraud, Western Arizona Vocational Education District (WAVE) officials took appropriate action by reporting a fraud allegation to the Office of the Auditor General. Our investigation revealed that from November 2011 through August 2016, Deborah Long, former business manager, may have embezzled \$139,284 of public monies when she issued WAVE warrants to herself and her credit card companies, kept payments made by parents and others that should have been deposited in WAVE bank accounts, made personal purchases with WAVE credit cards, and gave herself an unauthorized payroll raise. Ms. Long may have also falsified information in WAVE’s accounting software and governing board packets to conceal her actions. We have submitted our report to the Arizona Attorney General’s Office, which on July 30, 2018, presented evidence to the Arizona State Grand Jury. The action resulted in Ms. Long’s indictment on seven felony counts related to theft, fraudulent schemes, and misuse of public monies.

Overview

In fiscal year 2017, WAVE had revenues of approximately \$3.6 million and provided career and technical education to 825 high school students. Deborah Long was hired as an administrative assistant in July 2009 and was promoted to business manager a year later. On August 17, 2016, during WAVE’s biennial financial audit for fiscal years 2014 and 2015, Ms. Long did not come to work but wrote an email to the superintendent stating in part, “I committed fraud . . . that’s why I’ve been so afraid of this audit.” Ms. Long did not return to work, and on September 2, 2016, the governing board terminated her employment.

In August 2016, Ms. Long admitted she had committed fraud.

Using four different schemes, Ms. Long allegedly embezzled \$139,284 and falsified information in WAVE’s records and accounting software

Ms. Long issued 29 unauthorized warrants payable to herself and her credit card companies totaling \$73,091 and recorded false information about those warrants in WAVE’s accounting software and governing board packets—

Ms. Long issued 27 unauthorized warrants totaling \$53,249 payable either directly to herself or to an authorized vendor but with her name handwritten on the face of the warrant as an additional payee. She also issued two unauthorized warrants payable to two credit card companies totaling \$19,842 that paid in full the balances on her personal credit card accounts.

For all 29 of these unauthorized warrants, Ms. Long recorded false purpose descriptions in WAVE’s accounting software, making it appear as if the payments were for valid WAVE purposes. Additionally, Ms. Long omitted or falsified information related to 24 of these warrants when she prepared the expense voucher packets for governing board approval.

Table 1
Ms. Long’s alleged embezzlement
November 2011 through August 2016

Ms. Long’s schemes	Amount
Issued 29 warrants to herself and her credit card companies	\$ 73,091
Kept 44 payments made by parents and others	44,607
Made personal purchases with WAVE credit cards	15,630
Increased her salary	5,956
Total alleged embezzlement	\$139,284

Source: Auditor General staff analysis of WAVE records and Ms. Long’s financial account records.

Ms. Long kept 44 payments made to WAVE totaling \$44,607—Ms. Long received 42 check payments, some through the mail, totaling \$44,437 that were deposited in her personal checking account instead of WAVE bank accounts. These checks ranged from \$25 to \$11,954 and were for such purposes as tuition payments, fund-raising proceeds, and donations, as well as payments received pursuant to intergovernmental agreements WAVE held with a community college. These payments, 38 of which had Ms. Long’s handwritten name added to the face of the check, were deposited in Ms. Long’s checking account by a picture of the check being sent to her bank from a mobile device or by using an ATM. Additionally, during Ms. Long’s last 2 weeks at WAVE, she received a total of \$170 in cash from two central campus remittances that she failed to deposit in WAVE bank accounts.

Ms. Long used \$15,630 of WAVE monies to pay for personal purchases she made using WAVE credit cards—Ms. Long used two WAVE credit cards to make 314 personal purchases totaling \$18,695 and paid the credit card company with only \$3,065 of her own money, issuing WAVE warrants for the remaining amount. As a result, she used \$15,630 of WAVE monies to pay for personal purchases such as baby supplies, makeup, clothing, groceries, alcohol, cigarettes, and her personal restaurant, entertainment, and debt expenses, including a down payment and subsequent loan payments for a personal vehicle.

Ms. Long increased her salary and employer-related benefits by \$5,956 without authority—For fiscal year 2016, Ms. Long entered in WAVE’s accounting software a salary amount that exceeded her authorized salary by \$5,000. She received the total amount of this unauthorized increase as it was allocated among the 26 pay periods during fiscal year 2016. WAVE also paid \$956 for Social Security, Medicare, retirement, and long-term disability costs associated with this unauthorized increase.

WAVE officials failed to provide adequate oversight and maintain effective internal controls

WAVE officials did not establish controls to ensure district monies were properly safeguarded. In fact, Ms. Long was able to manage most of WAVE’s financial activity without any independent oversight. She collected check and cash payments; made deposits; recorded payroll, revenue, and expenditure transactions in WAVE’s accounting software; issued warrants; received credit card statements; performed credit card reconciliations; and prepared expense voucher packets for governing board approval.

Recommendations

Since becoming aware of the alleged theft, WAVE officials reported that they have improved internal control procedures over cash receipts and expenditures. Specifically, officials reported that their procedures now require the superintendent to conduct reviews of payroll and expenditure transactions after the business manager has recorded them. In addition, officials reported that they closed all but the superintendent’s credit card account, and the new business manager is now required to review the receipts against the credit card statements and verify that the transactions are for district purposes. Further, they have separated the responsibilities of collecting and recording cash and now require another level of review. However, WAVE can take additional actions to improve controls over public monies to help deter and detect fraud. Specifically, WAVE officials should:

- Use a mail log at the WAVE district office to document the collections through the mail, and subsequently compare the log with the deposit and collections recorded;
- Continue to conduct independent and detailed reviews of cash receipts and expenditures to ensure that the monies are properly accounted for and appropriate; and
- Continue to maintain signed credit card user agreements that outline the receipt of the District’s card use policies and procedures, and train card users and employees involved with processing transactions.