



In 2017, the Office of the Auditor General (Office) received 65 fraud-related allegations concerning school districts, counties, cities and towns, special taxing districts, state agencies, and community college districts. The Office 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 other Office inquiries, separate regulatory agencies, or independent auditors.

Financial investigations Reports issued

As summarized below, in 2017 the Office issued 6 financial investigations that led to prosecuting agencies obtaining 86 criminal charges against 6 individuals. These charges related to theft, misuse of public monies, fraudulent schemes, money laundering, computer tampering, forgery, theft of a credit card, and preparing a false tax document.

- A **Pine-Strawberry Water Improvement District** accounting manager allegedly embezzled \$524,686 of public monies from the District and \$316,370 from a private business by issuing unauthorized payments to herself and three businesses for which she managed the bank accounts.
- A **Topock Elementary School District** business manager allegedly misused \$236,548 of public monies for the benefit of herself, her daughter, and one of her associates who did business with the District.
- An **Eloy Elementary School District** payroll clerk allegedly embezzled \$23,504 of public monies when she paid herself for unauthorized overtime.
- A **Phoenix Union High School District** controller allegedly orchestrated a fraud scheme to falsely reduce her and her sister's (also a district employee) income taxes. During the scheme, she caused district software to generate unauthorized electronic deposits of \$4,400 and \$4,000 to her and her sister's respective bank accounts.
- A **Santa Cruz County** landfill supervisor allegedly embezzled \$8,233 of public monies by keeping cash receipts for his personal use.
- An **East Valley Institute of Technology** teacher allegedly embezzled \$3,750 of public monies when he deposited EVIT monies in his personal business bank account and used the money for his personal expenses.



	ARIZONA TYPICAL LOSS HIGHER THAN TYPICAL GLOBAL LOSS FOR STATE/PROVINCIAL GOVERNMENTS	 	ARIZONA \$134,187¹
			GLOBAL \$110,000²

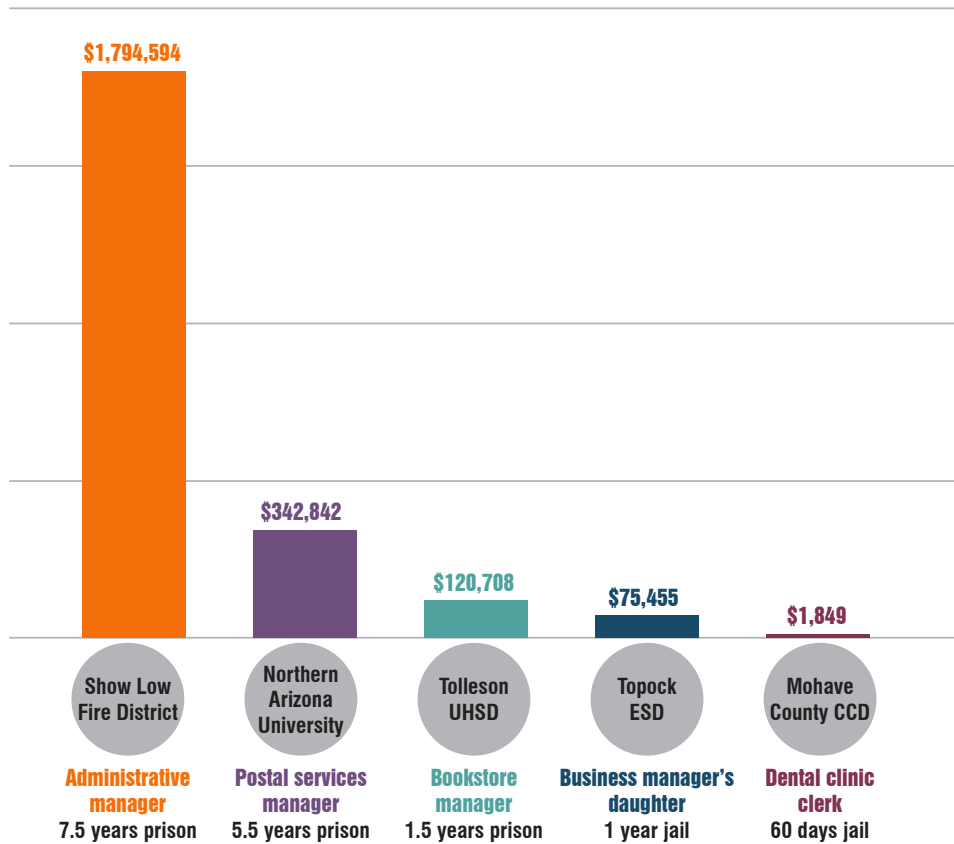
¹ 2017 Office of the Auditor General financial investigations total losses of \$805,121 at six government entities.

² Association of Certified Fraud Examiners, Inc., *Report to the Nations on Occupational Fraud and Abuse*, 2018.

Prosecutorial outcomes

In 2017, five individuals previously charged as a result of our financial investigations pleaded guilty to charges of misuse of public monies, theft, fraudulent schemes, and conspiracy. As shown in the chart, these individuals were sentenced to nearly 16 years of incarceration and ordered to pay \$2,335,448 in restitution.

2017 offender plea agreements: restitution orders and incarceration sentences



Fraud prevention and detection

We provided victim government entities with 13 recommendations to improve internal controls over their specific circumstances of loss to help them protect public monies from future misuse.

13
LOSS PREVENTION
RECOMMENDATIONS

6
FRAUD DETECTION
TRAININGS

1
FRAUD PREVENTION ALERT

Our financial investigators conducted trainings for fellow Office employees regarding how fraud, waste, and abuse impact the governmental entities we audit and assist. Employees were introduced to Arizona Revised Statutes applicable to fraud in governmental entities and shown different fraud schemes and specific fraud indicators to consider and be watchful of during the course of their work. Financial investigators also presented information about investigating governmental fraud to university and community college students.

We issued the first of a four-part **Fraud Prevention Alert** series related to using data analytics to help prevent and detect fraud. This will be followed with three Fraud Prevention Alerts that provide public officials with practical applications for using techniques from three data analysis categories: basic, statistical, and advanced.