



In 2020, we received 52 fraud-related allegations concerning school districts, counties, cities and towns, State agencies, and a special taxing district. 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

Reports issued

We issued 2 financial investigations in 2020 that led to prosecuting agencies obtaining 19 criminal charges against 2 individuals. These charges related to theft, misuse of public monies, and fraudulent schemes.

- A **Joseph City Unified School District** high school attendance secretary allegedly embezzled \$40,436 when she admittedly “borrowed” cash receipts instead of depositing them, concealing her actions by falsifying District records and depositing check payments in lieu of the cash she “borrowed.”
- A **Coconino County** Public Health Emergency Preparedness program manager II allegedly used his Coconino County purchasing card to make 237 personal purchases totaling \$82,550 and concealed his actions by entering false descriptions in county accounting software. He allegedly continued this unlawful practice at **Navajo County** where he was hired as the Public Health Services health director and used his Navajo County purchasing card to make 6 personal purchases totaling \$1,762, again concealing his actions by entering false information in county accounting software.



Prosecutorial outcomes

Five individuals previously charged as a result of our financial investigations pleaded guilty and were sentenced in 2020. These charges related to misuse of public monies, theft, conspiracy theft, fraudulent schemes, solicitation to commit fraudulent schemes, attempt to commit fraudulent schemes, forgery, and money laundering. As shown in the chart on the next page, these individuals were sentenced to a combined total of 9.33 years of incarceration, 36 years of probation, 280 hours of community service, and were ordered to pay \$1,179,101 in restitution and fines.



TYPICAL ARIZONA LOSS **LESS THAN HALF**
TYPICAL GLOBAL STATE/PROVINCIAL LOSS



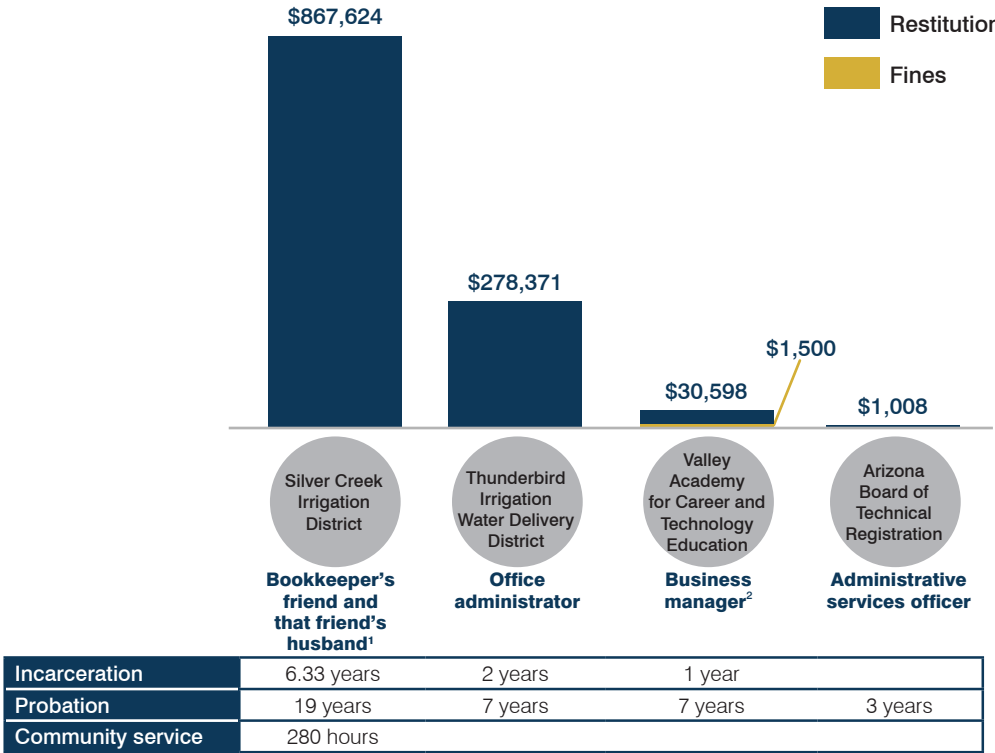
ARIZONA **\$41,583¹**

GLOBAL **\$91,000²**

¹ 2020 Arizona Auditor General financial investigations total losses of \$124,748 at 3 government entities as discussed above.

² Association of Certified Fraud Examiners, Inc. (2020). *Report to the Nations on occupational fraud and abuse*. Austin, TX.

2020 offender plea agreements and sentences: restitution, fines, incarceration, probation, and community service terms



¹ Restitution amount includes \$829,400 for the District and \$38,224 for the Arizona Health Care Cost Containment System. Incarceration includes 5.33 years in prison for the bookkeeper's friend and 1 year in county jail for that friend's husband. Probation includes 7 years for the bookkeeper's friend and 12 years for that friend's husband. Community service includes 200 hours for the bookkeeper's friend and 80 hours for that friend's husband.

² Court retains jurisdiction to order restitution up to an additional \$6,000 for victims listed in the plea agreement upon submission of a Victim's Statement of Financial Loss.

Fraud prevention and detection



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 for their evaluation of the impact on audits and on entity stakeholders. Accordingly, those audit reports include findings related to likely overpayment for services not rendered, unauthorized fee waivers, unreconciled cash receipts, and inaccurately recorded purchase card transactions as well as recommendations to improve internal controls over those areas and thereby help decrease the risk of fraud, waste, and abuse.

We provided victim government entities with 5 specific ways to improve internal controls directly related to their losses to help them protect public monies from future misuse.



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

We issued a **Fraud Prevention Alert** regarding nonpayroll disbursement frauds. This alert outlines for public officials how certain disbursement frauds occur and what actions management can take to deter and detect them.

Two 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.

