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September 16, 2021

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board  
Wickenburg Unified School District

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Kathy Hoffman, Arizona State Superintendent of Public Instruction

We have conducted a financial investigation of certain Wickenburg Unified School District (District) transactions for the period June 2017 through February 2018. We performed the investigation to determine the amount of public monies misused, if any, during that period.

The investigation consisted primarily of inquiries, observations, examinations of selected financial records and other documentation, and selected tests of internal control over 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 resulting from this investigation.

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

## Wickenburg Unified School District Criminal Indictment—Conflict of Interest, Fraudulent Schemes, and Forgery

**SYNOPSIS:** As part of their responsibility to prevent and detect fraud, Wickenburg Unified School District (District) officials took appropriate action by reporting to us an allegation of financial misconduct by former director of operations, William Moran. Our investigation revealed that from June 2017 through February 2018, Mr. Moran participated with a District contract awarded to a vendor he had an undisclosed conflict of interest with, and he may have created 2 false price quotes for other unrelated District contracts. We submitted our report to the Arizona Attorney General's Office, which on September 13, 2021, presented evidence to the State Grand Jury. The action resulted in Mr. Moran's indictment on 4 felony counts related to conflict of interest, fraudulent schemes, and forgery.

### Overview

In fiscal year 2020, the District had revenues of approximately \$16.4 million and served about 1,300 students. Mr. Moran worked at the District for more than 30 years and became the director of operations in 2013, where he was responsible for managing the planning, procurement, and progress of construction projects and approving construction vendor invoices for payment. Mr. Moran resigned in February 2018 after being questioned by the District superintendent about an alleged fake bid associated with a District construction project request for proposals and providing the District superintendent with a written statement acknowledging that he had used a vendor's previous bid to prorate pricing and "submit the bid."<sup>1</sup> Additionally, during our investigation, we became aware that Mr. Moran may have also engaged in conflicts of interest.

### Mr. Moran may have engaged in conflicts of interest with a District vendor from whom he received construction materials and services valued between \$52,000 and \$72,000 and to whom he loaned \$25,000

From June 2017 through January 2018, Mr. Moran participated with a \$95,850 District contract to an excavation vendor he financially benefited from and failed to disclose these benefits to the District. Specifically, on his personal property where he planned to make a buildable lot, Mr. Moran received from this vendor District excavation site dirt valued between \$50,000 and \$70,000. Mr. Moran received an additional \$2,000 benefit when he gave this vendor \$30,000 and, in return, received \$32,000 in the combined form of a \$25,000 "IOU" and the vendor's dirt compacting services valued at \$7,000. District officials were not aware of these financial benefits and did not have a 2017 conflict-of-interest disclosure form on file for Mr. Moran.

#### Construction materials and services Mr. Moran received at either no cost or at a discounted cost:

- No cost for 500-700 truckloads of dirt valued between \$50,000 and \$70,000
- Discounted cost of \$5,000 for dirt compacting services valued at \$7,000

**Mr. Moran received from the District vendor construction materials and services valued between \$52,000 and \$72,000**—Even though the engineering firm for the District's excavation project informed Mr. Moran in June 2017 that the export material (dirt) could be used to flatten fill slopes at the District site, Mr. Moran did not pass this information along to other District employees or include it in solicitation materials provided to potential vendors in July 2017. Instead, Mr. Moran communicated with potential vendors his intent that dirt be delivered to a vacant lot he owned. Of the 3 responding vendors, 2 expressed their concerns to Mr. Moran that it was either not feasible or not allowable to deliver dirt from the District site to Mr. Moran's personal lot, and they were not awarded the contract. In August 2017, based on Mr. Moran's recommendation, the District awarded the contract to the third vendor, who reported to us that he

<sup>1</sup> District employees and vendors used the terms "price quote" and "bid" interchangeably even though "price quote" generally relates to projects less than \$100,000 and "bid" generally relates to sealed solicitations for projects over \$100,000.



Dirt placed on Mr. Moran's personal lot.  
Source: Town of Wickenburg.

transported 500 to 700 truckloads of dirt from the District site to Mr. Moran's personal lot. Although the vendor's reported rate for this service was \$100 per truckload, Mr. Moran received this dirt at no cost. Additionally, the vendor provided dirt pushing, compacting, and watering services valued at \$7,000 that Mr. Moran paid only \$5,000 for. In November 2017, after the dirt was delivered, the Town of Wickenburg issued Mr. Moran a violation notice for working without a grading and drainage permit on this lot, citing "bringing in a large amount of fill" and potentially causing an adverse effect on existing drainage that required remediation by the end of December 2017. Mr. Moran remediated the violation, was issued a building permit, and built a 2,062 square-foot-home on this lot, which he and his wife sold for \$445,000 in December 2019.

**Mr. Moran loaned the District vendor \$25,000**—In October 2017 Mr. Moran gave \$30,000 to the awarded vendor, who signed an "IOU" stating that \$25,000 was payable to Mr. Moran less than a month later. The \$5,000 difference may have been Mr. Moran's payment for the vendor's dirt compacting services described above valued at \$7,000. The vendor did not pay the \$25,000 "IOU" until January 2018, after Mr. Moran had approved the vendor's \$95,850 invoice to the District in December 2017. After Mr. Moran's February 2018 resignation, the superintendent discovered the District's excavation work was incomplete and contacted the vendor, who then completed the job.

## Mr. Moran may have created 2 false price quotes

In February 2018, Mr. Moran used amounts from 2 false price quotes on District procurement records for 2 other projects unrelated to the excavation project described above. These false price quotes were ostensibly from a construction vendor but were on fake letterhead. The false price quotes were created to appear as if they were on that vendor's actual letterhead but had different formatting styles and omitted that vendor's registrar of contractor's license number. Moreover, that vendor reported to District officials and to us that these were not his bids (price quotes). Both false price quotes were included with the procurement records that Mr. Moran submitted to the District office when he recommended the contract awards for these 2 projects go to other vendors. Nothing came to our attention indicating that Mr. Moran had a financial relationship with these 2 vendors. Nevertheless, when questioned by District officials about 1 of these projects, Mr. Moran admitted that he used amounts from a previous bid submitted by that vendor to prorate concrete pricing and "submit the bid." As described below, District officials stopped work for both projects and voided remaining purchase orders.

## District officials failed to provide adequate oversight but took corrective actions after receiving a complaint about procurement records

Although District officials allowed Mr. Moran to solicit vendors for District construction projects totaling less than \$100,000, receive price quotes, recommend contract awards, provide progress updates to the superintendent, approve vendor work for completeness, and approve invoices without adequate oversight, they took prompt and appropriate actions after receiving a complaint that District procurement records contained a fake bid. In particular, District officials immediately conducted inquiries, examined documents, and requested a written statement from Mr. Moran. After reviewing his statement, District officials assigned Mr. Moran to work from home, stopped project work, voided remaining purchase orders related to the construction projects in question, began an internal review, and contacted us.

In the time since our investigation began, District officials reported they improved internal controls for construction projects totaling less than \$100,000 by requiring vendors to submit price quotes directly to the District office either in person or through a designated email account, and those quotes are now reviewed by a team of employees rather than 1 individual. District officials also reported they have improved internal controls over conflict-of-interest disclosures by annually providing employees with an online training video regarding District conflict-of-interest policies; requiring employees to complete and sign an annual Disclosure Form indicating either they have a conflict of interest and agree not to participate in decisions, or they do not have a conflict of interest; tracking employees who completed Disclosure Forms and for those who have not submitted their form, sending out email reminders to the employees and their supervisors; and retaining these forms in the business office.