



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

June 12, 2023

Members of the Arizona Legislature

The Honorable Katie Hobbs, Arizona Governor

The Honorable Tom Horne, State Superintendent of Public Instruction

The Honorable Kris Mayes, Arizona Attorney General

We conducted a financial investigation of certain Arizona Department of Education Future Farmers of America transactions for the period March 2011 through December 2015. 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 Arizona Department of Education 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

Arizona Department of Education Criminal Indictment—Computer Tampering and Fraudulent Schemes

SYNOPSIS: As part of their responsibility to prevent and detect fraud, Arizona Department of Education (Department) officials took appropriate action by reporting to us alleged financial misconduct by Tyler Grandil, the Department's former Future Farmers of America (FFA) executive secretary within the Career and Technical Education department. Our investigation revealed that from March 2011 through December 2015, after opening a secret checking account with himself as the only signer, Mr. Grandil deposited therein \$1,700,939 of Arizona Association FFA (AZFFA) monies that should have been deposited in a Department checking account, altering Department accounting records to conceal his actions. Without the Department's or AZFFA's knowledge, Mr. Grandil spent this money for AZFFA and personal purposes. Because monies were commingled and certain records were not available, we were unable to determine how much of this money was used for AZFFA purposes. However, from this secret account, Mr. Grandil issued 28 checks totaling \$40,950 to himself, his family members, or their companies. We have submitted our report to the Arizona Attorney General's Office, which on May 31, 2023, presented evidence to the State Grand Jury. The action resulted in Mr. Grandil's indictment on 6 felony counts related to computer tampering and fraudulent schemes.

Overview

The Department oversees Arizona's kindergarten through 12th grade public education and managed, through its Career and Technical Education department, the FFA student organization. Mr. Grandil began working part-time at the Department in July 1997 as an FFA consultant and became FFA executive secretary in June 2000. In this position, Mr. Grandil led the day-to-day operations and managed the finances of AZFFA, a nonprofit organization housed within the Department that provides students with opportunities for leadership, personal growth, and career success through agricultural education. Starting in 2017, responsibility for managing AZFFA, including its finances, shifted from the Department to the AZFFA advisory board. However, during our investigation time, Mr. Grandil was responsible for depositing AZFFA revenues, such as student and chapter membership dues and conference registrations, in an AZFFA Department checking account and recording the revenue in Department accounting software. For AZFFA-related expenses, Mr. Grandil was responsible for submitting check request forms and supporting documentation to his supervisors for approval, after which Department accounting employees issued checks, recording the expenditure in Department accounting software. Department employees used this software to compile monthly financial reports for the AZFFA advisory board. After conducting an internal investigation of certain personnel activities, the Department terminated Mr. Grandil's employment in December 2015.

Mr. Grandil opened secret checking account with himself as only signer and used it to deposit and spend \$1,700,939 of AZFFA monies without Department's or AZFFA's knowledge

In March 2011, without the Department's or AZFFA's knowledge, Mr. Grandil opened a checking account named "Arizona Association FFA," with himself as the only signer and, through December 2015 when he closed the account, deposited therein \$1,700,939 of AZFFA monies that should have been deposited in the Department AZFFA checking account. To help conceal his actions, Mr. Grandil altered 483 invoices in the Department's accounting software, making it falsely appear AZFFA monies were not due to be deposited in the Department checking account, and he instead deposited those monies in his secret "Arizona Association FFA" checking account. Mr. Grandil's actions caused the accounting software and monthly financial reports to omit these revenues and the associated expenditures described on the following page, thus concealing his financial activity from the Department and the AZFFA advisory board. Likewise, Mr. Grandil did not submit for his supervisors' approval any of the following expenditures totaling \$1,700,939.

Mr. Grandil used \$1,591,749 from his secret account to pay for AZFFA and personal charges on 5 of his and his wife’s personal credit card accounts—Mr. Grandil admitted that he used 5 personal credit cards for both AZFFA and personal purposes, commingled AZFFA and personal monies for payments, and failed to keep a separate accounting that tracked AZFFA and personal purchases. As a result, we were unable to determine how much of the \$1,591,749 Mr. Grandil spent from March 2011 through December 2015 toward paying the balances on his personal credit cards was for either AZFFA or personal purposes.

Mr. Grandil used \$40,950 from his secret account to pay his family members and himself—From May 2011 through August 2015, Mr. Grandil used his secret account to issue 18 checks totaling \$29,500 to his family members, their companies, or their companies’ credit card. In response to a court procedure, Mr. Grandil’s family members claimed Mr. Grandil hired them to provide goods and services to AZFFA, but they did not provide documentation to support the purpose of those goods and services.

Further, from February 2012 through October 2015, Mr. Grandil issued himself 10 checks totaling \$11,450 from his secret account. In response to a court procedure, Mr. Grandil claimed the payments were reimbursements for a \$10,000 loan he provided to AZFFA in approximately 2010 to cover amounts he charged to his personal credit cards for National FFA Convention travel costs. Although Mr. Grandil did not provide documentation to support this loan, we found that in January 2011, Mr. Grandil and his wife used their personal monies to make a \$10,000 payment on one of their personal credit cards. Nonetheless, it is still unclear if this payment was for a loan to AZFFA because, as discussed earlier, their credit card balances included both AZFFA and personal charges.

FFA monies Mr. Grandil spent without the Department’s or AZFFA’s knowledge March 2011 through December 2015

Description	Amount
Mr. Grandil’s and his wife’s personal credit cards	\$1,591,749
Mr. Grandil’s family members and their companies	29,500
AZFFA disbursements	27,355
Credit cards held by unknown persons	27,178
Bank charges	12,626
Mr. Grandil	11,450
Various likely personal purchases	1,081
Total	\$1,700,939

Mr. Grandil used the remaining \$68,240 from his secret account for AZFFA and other purposes—From March 2011 through December 2015, Mr. Grandil used \$27,355 to pay for AZFFA disbursements, such as conference hotel expenses, \$27,178 to make payments on credit card accounts held by unknown persons for unknown purposes, \$12,626 for bank charges, and \$1,081 for likely personal purposes such as payments to a home warranty company and a telecommunication company.

Former Department officials failed to provide adequate oversight of Mr. Grandil’s AZFFA financial activities but later took appropriate action

Former Department officials allowed Mr. Grandil to be the direct recipient of all AZFFA revenues, make deposits in the Department’s AZFFA checking account, record those deposits in the Department’s AZFFA accounting software, and be the administrator of that software, thereby allowing him unfettered access and control of AZFFA monies. Had officials separated responsibilities for receiving, depositing, and recording AZFFA monies, or routinely generated audit trail reports from the accounting software, they would have prevented or soon detected Mr. Grandil’s manipulations. Nonetheless, in the time since our investigation began, Department officials reported to us they closed the AZFFA checking account and stopped handling AZFFA finances. Additionally, officials told us Department employees now serve in an advisory and assistive capacity to AZFFA, not in a management or decision-making role.