A REPORT
TO THE
ARIZONA LEGISLATURE

Special Investigation Unit

Special Investigation

Tolleson Union High School District

Theft and misuse of public monies

December • 2015
Report No. 15-406

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

Senator **Judy Burges**, Chair

Senator **Nancy Barto**
Senator **Lupe Contreras**
Senator **David Farnsworth**
Senator **Lynne Pancrazi**
Senator **Andy Biggs** (*ex officio*)

Representative **John Allen,** Vice Chair

Representative **Anthony Kern**
Representative **Debbie McCune Davis**
Representative **Rebecca Rios**
Representative **Kelly Townsend**
Representative **David Gowan** (*ex officio*)

Audit Staff

Lindsey Perry, Manager and Contact Person

Gretchen Augustine, Team Leader

The Auditor General's reports are available at:

www.azauditor.gov

Printed copies of our reports may be requested by contacting us at:

Office of the Auditor General
2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

December 17, 2015

Members of the Arizona Legislature

Governing Board
Tolleson Union High School 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 special investigation of the Tolleson Union High School District (District) for the period July 2007 through June 2011. The Office performed the investigation to determine the amount of public monies misused, if any, during that period and the extent to which those monies were misused.

The investigation consisted primarily of inquiries and examination of selected financial records and other documentation. Therefore, the investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, the Office does not express an opinion on the adequacy of the financial records or the internal controls of the District. The Office also does not ensure that all matters involving the District's internal controls, which might be material weaknesses under standards established by the American Institute of Certified Public Accountants or other conditions that may require correction or improvement, have been disclosed.

The Special Investigative Report describes the Office's findings and recommendations as a result of this special investigation.

Sincerely,

Debbie Davenport
Auditor General

Attachment

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

SUMMARY

As part of their responsibility to prevent and detect fraud, Tolleson Union High School District (District) administrators took appropriate action by reporting a fraud allegation to our Office. We conducted an investigation, revealing that from July 2007 to June 2011, Brenda Busse, former Tolleson Union High School (TUHS) bookstore manager, may have violated state laws related to theft, misuse of public monies, fraudulent schemes, and computer tampering when embezzling $120,708 of TUHS bookstore receipts. Specifically, Ms. Busse took customer cash payments made at the TUHS bookstore that should have benefited the students and manipulated computer data in the District's receipt-processing system 374 times to help conceal her actions. Parents, students, and other individuals paid these monies for various school-related fees, extracurricular tax credit donations, student activity fundraisers, and athletic events and should have been deposited in district accounts. We submitted our report to the Arizona Attorney General's Office, which has taken criminal action against Ms. Busse, resulting in her indictment on felony charges (see Conclusion on page 13 of this report).

Investigation highlights

Former Tolleson Union High School bookstore manager Brenda Busse:

- Embezzled and misused $120,708 of district monies that should have benefited the students.
- Manipulated computer data 374 times to conceal her misdeeds.

Ms. Busse embezzled and misused public monies by both abusing her authority as the TUHS bookstore manager and by taking advantage of inadequate controls over collecting and depositing district monies. Additionally, former TUHS and district officials failed to exercise an appropriate level of oversight over Ms. Busse's activities. In particular, TUHS and district officials failed to examine documents or otherwise verify that bookstore reconciliations were appropriate. Further, district officials did not adequately segregate cash-handling and recordkeeping duties, allowing Ms. Busse to collect, record, deposit, and reconcile bookstore receipts without any compensating controls.

Although no internal control system can completely prevent dishonest behavior such as Ms. Busse's, there are ways to improve control over public monies to help deter and detect fraud (see Recommendations on page 11 of this report). In the time since the Office of the Auditor General's investigation began, district administration identified improvements to its controls over payments received at its bookstores, including weekly reviews of receipt-processing system adjustments, monthly reconciliations of bookstore change fund balances, mandatory yearly training for coaches and club sponsors on cash-handling procedures, and the development of a workgroup to discuss and establish district policies and procedures to ensure compliance with the *Uniform System of Financial Records for Arizona School Districts*. However, as discussed in the Recommendations section on page 11, the District should strengthen its controls over student fundraising and athletic event monies by separating the responsibilities of collecting cash and reconciling sales, and using prenumbered sales/activity reports when transmitting event collections to the bookstore. Additionally, the District should continue to provide training to those school office employees responsible for collecting monies, and it should consider including criteria in bookstore employee performance evaluations outlining the employees' responsibilities for following cash-handling procedures.

TABLE OF CONTENTS

Introduction & Background 1

Finding 1: Ms. Busse embezzled $120,708 of bookstore receipts using District's receipt-processing system 3

Ms. Busse manipulated bookstore receipt systems to embezzle $120,708 3

A large amount of cash was deposited in Ms. Busse's personal bank account and later used for cash withdrawals 6

Finding 2: Former TUHS and district officials failed to safeguard and control district monies 9

Recommendations 11

Conclusion 13

Table

1 Public monies Ms. Busse embezzled and misused July 2007 to June 2011 3

Figures

1 Comparison of Ms. Busse's fraud scheme and the correct cash receipt and deposit process for piano fees collected on July 23, 2009 5

2 Monthly cash gambled by Ms. Busse at an Arizona casino prior to her resignation August 1, 2009 to July 13, 2011 7

INTRODUCTION & BACKGROUND

Tolleson Union High School District (District) is located within Maricopa County and in the metropolitan Phoenix area, approximately 10 miles west of downtown Phoenix. The District includes portions of the cities of Phoenix, Avondale, and Glendale, and the entire city of Tolleson. In fiscal year 2014, the District provided public education to 10,600 9th- through 12th-grade students in six traditional high schools and two academy schools, operating within a budget of nearly $98 million. The District has five publicly elected governing board members who are responsible for establishing all district policies and are the final authority over all school district business.

In fiscal year 2014, the District's Tolleson Union High School (TUHS) had approximately 1,800 students and employed one manager to handle bookstore operations.

Brenda Busse's district employment included bookstore duties

Ms. Busse began her district employment in 1991 as a paid sponsor for the TUHS cheerleading team and continued in this position intermittently until hired as the TUHS bookstore manager in July 2002. As the bookstore manager, Ms. Busse was responsible for managing bookstore operations of collecting, processing, and recording payments for student and school-related fees (e.g., parking permit, testing, and class fees) and for money received related to student activity fundraisers, athletic event sales, and extracurricular tax credit donations. She was also responsible for depositing these monies into the District's bank accounts and preparing monthly reconciliations of those deposits to the receipt-processing systems' records.

Hired accounting firm determined monies were missing from district bank accounts in fiscal year 2011

After the District implemented a new receipt-processing system for all bookstores in July 2010, district officials noticed inconsistencies with TUHS deposits and consequently hired an accounting firm to review TUHS' fiscal year 2011 bookstore receipts. During the accounting firm's review of bookstore records, the accounting firm informed the District of discrepancies it found in the TUHS bookstore receipts reconciliations as well as a shortage of monies in the District's bank accounts. As a result, on July 13, 2011, district officials held a meeting with Ms. Busse to discuss the discrepancies. During this meeting, Ms. Busse resigned from her position, effective immediately. See page 6 for more information on the accounting firm's final report.

Ms. Busse admitted to "borrowing" district monies

Through her attorney and after she had resigned, Ms. Busse requested a meeting with district officials regarding her desire to repay district money she had "borrowed." Specifically, on August 16, 2011, district officials and a representative of the accounting firm met with Ms. Busse, her husband, and her attorney.[1] During this meeting, Ms. Busse admitted that she "borrowed" money she received at the bookstore, mostly from student activity funds, but also from athletic event sales. She disclosed that she did not record the receipts for amounts she "borrowed" in the receipt-processing system during fiscal year 2011, but instead created new (false) receipt forms for the amounts "borrowed" and kept these documents in a folder to help her keep track of what she was doing. She also stated that she sometimes used bookstore money from a later day's receipts or her own money from her district paychecks to "pay back" some of the monies. Although Ms. Busse met with district officials with the desire to repay district monies, no money was ever repaid.

Ms. Busse admitted:

- She "borrowed" district monies.
- She did not record receipts for amounts she "borrowed."
- She created new (false) receipt forms.
- She kept a folder to keep track of what she "borrowed."

[1] Ms. Busse's bookstore practices for periods prior to fiscal year 2011 were not discussed during this meeting, which was held prior to Auditor General staff involvement. Ms. Busse declined to meet with Auditor General staff.

FINDING 1

Ms. Busse embezzled $120,708 of bookstore receipts using District's receipt-processing systems

From July 2007 through June 2011, Ms. Busse, former Tolleson Union High School (TUHS) bookstore manager, embezzled $120,708 of monies received at the bookstore from parents and other individuals for the benefit of TUHS students that should have been deposited in Tolleson Union High School District (District) accounts. Ms. Busse embezzled $57,781 using the District's prior bookstore receipt-processing system and $62,927 using the current receipt system implemented in July 2010. Although records are not available to specifically show how the embezzled money was spent, nearly $18,000 cash was deposited into Ms. Busse's bank account from August 2009 through her last day of employment, July 13, 2011. This cash was commingled with other personal monies and then used mostly for cash withdrawals, including withdrawals at casinos, as well as for retail, living, and other personal expenses. In addition, Ms. Busse gambled $73,474 of cash at a local casino during this same time period.

Ms. Busse manipulated bookstore receipt systems to embezzle $120,708

As shown in Table 1, Ms. Busse manipulated the District's prior and current receipt-processing systems to embezzle $120,708 of bookstore receipts from July 2007 through June 2011. Specifically:

Table 1: Public monies Ms. Busse embezzled and misused July 2007 to June 2011

Description	Amount
Prior bookstore receipt-processing system (July 2007 to June 2010)	$ 57,781
Current bookstore receipt-processing system (July 2010 to June 2011)	62,927
Total embezzled and misused	$ 120,708

Source: Auditor General staff analysis of district and private accounting firm records.

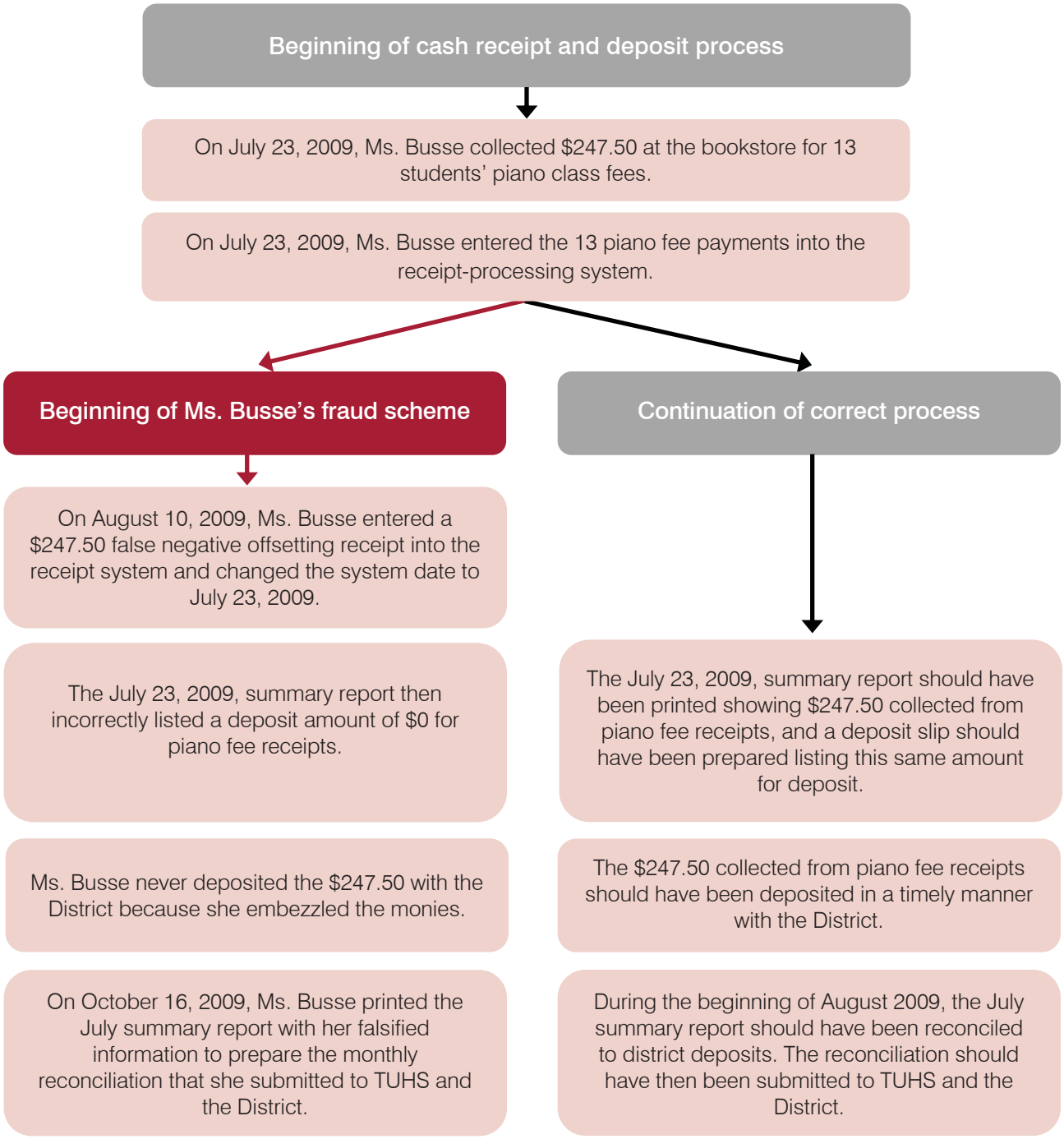
- **Ms. Busse manipulated the prior receipt-processing system 374 times to embezzle almost $58,000 from July 2007 through June 2010—**Ms. Busse employed a lapping scheme to embezzle $57,781 of bookstore receipts from July 2007 through June 2010 by taking receipts in the form of cash and using false negative receipts to hide some of her theft. She manipulated computer data 374 times in the prior receipt-processing system to embezzle and cover up her misdeeds. Specifically, Ms. Busse entered false negative receipts into the system for the amounts she had taken, thus reducing the total receipts for that date's deposit by her theft amount. Consistent with a lapping scheme, Ms. Busse subsequently used monies to reverse some of those false negative receipts by reentering receipts into the system in offsetting positive amounts and deposited these monies with the District. In the end, $57,781 was never reentered into the system or deposited with the District.

  Ms. Busse coded all of her false receipts with unique comments in order to keep track of her embezzlement. For example, her false negative receipts were coded with "next month" or a variation thereof such as "nm," "n/m," or "next mth." For the false receipts reentered at a later date as reversals of the negative receipts, Ms. Busse coded them as "last month" or a variation thereof, such as "lm," "lm tax credit," or "last month 12/31/07." Also, for each of these false receipt transactions, Ms. Busse changed the system date, thus altering the receipt system's automatic calculation of a deposit amount that would exclude the cash she was taking. Ms. Busse was able to continually manipulate transactions in the receipt-processing system undetected because no one reviewed the negative receipts or any detailed system reports. Further, Ms. Busse did not prepare monthly reconciliations in a timely manner. When she submitted the reconciliations to TUHS administrators and district officials, she provided summary system reports that excluded transaction amounts for monies she had taken, thereby concealing her theft.

  For example, as illustrated in Figure 1 (see page 5), on July 23, 2009, Ms. Busse entered 13 piano fee payments into the receipt-processing system totaling $247.50. Consequently, the system summary report would show that $247.50 should be deposited for that date. However, Ms. Busse embezzled the $247.50 and did not make a deposit with the District. To conceal her theft, Ms. Busse entered one false receipt on August 10, 2009, with a negative $247.50, coding it as "nm," and changed the system date from August 10 to July 23, 2009, thus reducing the amount to be deposited for July 23, 2009, by $247.50. As a result, the system summary report then incorrectly listed $0 as the amount to be deposited for that date.[2] Ms. Busse printed the July 2009 system summary report and prepared the July 2009 monthly reconciliation on October 16, 2009. By then, she had entered a total of ten false negative receipts, understating the July bookstore collections by $10,314.

[2] Although Ms. Busse sometimes used later receipts to obscure what she had stolen, these receipts were never reentered into the receipt-processing system.

Figure 1: Comparison of Ms. Busse's fraud scheme and the correct cash receipt and deposit process for piano fees collected on July 23, 2009



Source: Auditor General staff analysis of district records.

- **Ms. Busse manipulated the current receipt-processing system and created false receipt forms to embezzle nearly $63,000 from July 2010 to June 2011—**Ms. Busse employed two schemes to embezzle $62,927 of bookstore receipts from July 2010 to June 2011. First, Ms. Busse improperly entered receipts totaling $16,528 into an alternate terminal.[3] Even though the alternate terminal produced an accounting record for the receipt, these receipts were never reviewed or deposited. By entering these receipts into the alternate terminal, Ms. Busse was able to embezzle these monies because she concealed them as reconstructed receipts. In addition to manipulating the current receipt-processing system, Ms. Busse employed a lapping scheme to embezzle $46,399 of bookstore receipts by taking receipts in the form of cash and using later receipts or her personal monies to hide some of her theft. The accounting firm the District hired to reconcile TUHS bookstore receipts to district bank records (as discussed on page 1) determined that $62,927 of bookstore monies received in fiscal year 2011 were not deposited with the District.[4]

  When questioned about her practices during this time period, Ms. Busse admitted to "borrowing" bookstore receipts and expressed the desire to repay the District. She further explained her scheme by revealing that she created new (false) manual receipt forms for student activity and athletic event monies, entering into the receipt-processing system and depositing only those monies received in the form of checks. She kept the falsified manual receipt forms in a folder to keep track of those monies from which she had "borrowed." Ms. Busse stated that she sometimes used money from a later day's receipts or her own money from her district paychecks to "pay back" some of the monies, thereby entering these transactions into the receipt-processing system and depositing the monies with the District. Ms. Busse was able to create these false receipts undetected because the District did not use prenumbered receipt forms for the transmittal of student activity and athletic event monies to the bookstore.

A large amount of cash was deposited in Ms. Busse's personal bank account and later used for cash withdrawals

Although there were no records or receipts that specifically indicated how Ms. Busse used the $120,708 embezzled from the District, Auditor General staff determined that from August 1, 2009, through her last day of employment, July 13, 2011, nearly $18,000 cash was deposited in Ms. Busse's personal bank account.[5] This cash was commingled with her and her husband's salary and other personal monies, and then used mostly for cash withdrawals, including withdrawals at casinos, as well as for retail, living, and other personal expenses. In fact, as shown in Figure 2 (see page 7), Ms. Busse gambled $73,474 of cash during 76 visits at a local casino during this same time period.[6]

---

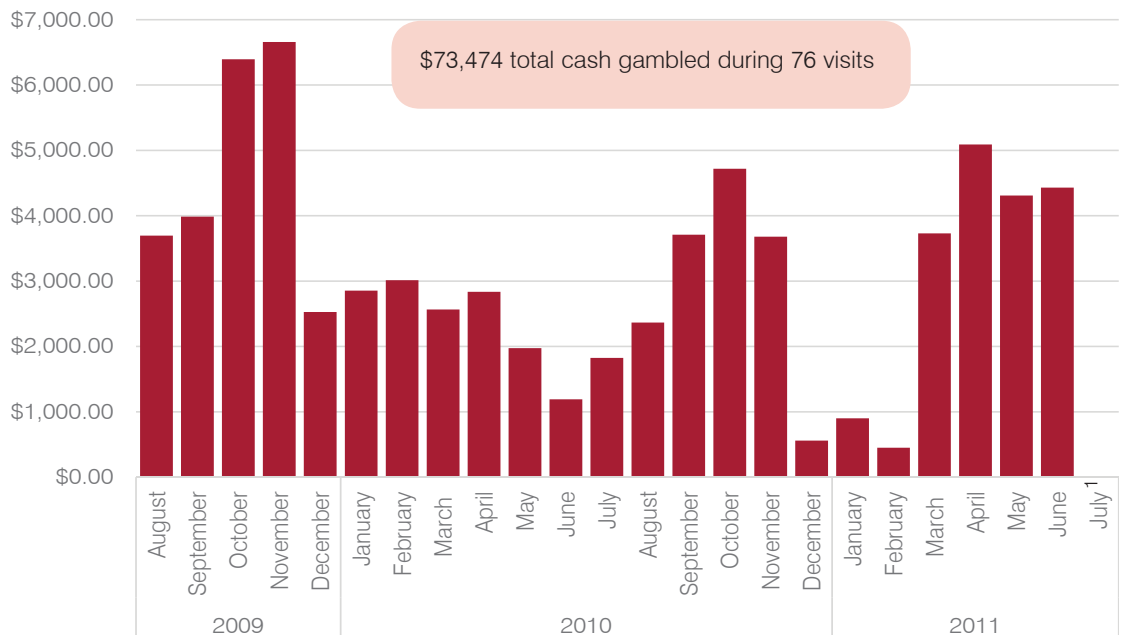
[3] As a result of the District's receipt-processing system crash in July 2010, the District created an alternate terminal to reconstruct receipts that were deleted during the system crash. No deposits were made for the alternate terminal reconstructed receipts as these receipts had been previously deposited.

[4] Auditor General staff reviewed the accounting firm's documentation, verified test work transactions, and concurred with the firm's conclusion relative to its scope of work.

[5] In addition to Ms. Busse, there were two other signers on this account.

[6] Casino records were only available starting in August 2009.

Figure 2: Monthly cash gambled by Ms. Busse at an Arizona casino prior to her resignation August 1, 2009 to July 13, 2011



[1] Casino records indicate that Ms. Busse did not gamble from July 1 through 13, 2011. July 13, 2011, was her last day of district employment.

Source: Auditor General staff analysis of Ms. Busse's casino records.

FINDING 2

Former TUHS and district officials failed to safeguard and control district monies

Former Tolleson Union High School (TUHS) administrators and former Tolleson Union High School District (District) officials failed to ensure that adequate internal controls were designed and implemented to protect public monies. Specifically, the District did not require the bookstore to use prenumbered receipt forms when accepting money related to student activities or athletic event receipts. If district officials had required the use of prenumbered forms, they would have been able to discover any out-of-sequence or discarded forms and stop Ms. Busse's fraudulent scheme.

In addition, and particularly related to the prior receipt-processing system, former TUHS administrators and district officials failed to exercise an appropriate level of oversight over Ms. Busse's activities and did not adequately segregate cash-handling and recordkeeping duties. Specifically, Ms. Busse was responsible for collecting payments, recording receipts in the receipt-processing system, making the associated deposit, and performing the monthly reconciliation without a thorough review by an employee independent of these functions. Additionally, TUHS administrators did not require monthly reconciliations to be performed in a timely manner, and although they signed the bookstore's monthly reconciliations as reviewed, they did not examine any of the documentation or otherwise ensure the amounts were properly and accurately recorded. Moreover, no one reviewed detailed reports listing each individual receipt, including receipts recorded with negative amounts. Likewise, no supporting documentation for negative receipts was reviewed to ensure the appropriateness of those transactions or other adjustments. These practices could have deterred Ms. Busse from embezzling bookstore receipts.

RECOMMENDATIONS

In the time since the Office of the Auditor General's investigation began, district administrators reported implementing improvements to controls over bookstore cash receipt processes. Specifically, in addition to their current practice of monitoring the bookstores' financial activity online, district administrators reported that they now require a school administrator to conduct weekly reviews of receipt-processing system adjustments, which must have supporting documentation; perform monthly reconciliations of bookstore change fund balances; provide mandatory training each August for coaches and club sponsors on cash-handling procedures outlined in the *Student Activities Handbook*; and have developed a workgroup of district administrators and bookstore managers that meets monthly to discuss and establish district policies and procedures to ensure compliance with the *Uniform System of Financial Records for Arizona School Districts*.

However, there are additional actions the District could have taken and should take now to improve control over public monies and help deter and detect fraud. Specifically, the District should:

1. Separate the responsibilities of collecting cash and reconciling sales. Specifically, employees involved in collecting cash should not be responsible for totaling sales from the receipt-processing system. An employee independent of cash collection responsibilities should total sales from the system and reconcile sales to cash collections. Any cash overages or shortages noted in the reconciliations should be immediately investigated and resolved.

2. Strengthen its controls over student fundraising and athletic event monies by:

    a. Using prenumbered sales/activity reports when transmitting collections to the bookstore and maintaining these forms at the bookstore and ensuring the bookstore and club sponsor or coach sign them.

    b. Generating and documenting the receipt-processing system number on the sales/activity report after promptly entering receipts into the receipt-processing system.

    c. Reconciling the sales/activity reports to district deposits, ensuring the reports' authenticity and consecutive numbering sequence.

    d. Providing detailed reports of the revenues and disbursements to the club sponsors and coaches monthly.

3. Continue to provide training to those school office employees, including principals, assistant principals, and bookstore staff, responsible for collecting monies to educate them about district and *Uniform System of Financial Records for Arizona School Districts* policies and procedures concerning cash receipts. Additionally, the District should consider including criteria in bookstore employee performance evaluations outlining the employees' responsibilities for following cash-handling procedures.

CONCLUSION

On December 14, 2015, the Arizona Attorney General's Office presented evidence of Ms. Busse's crimes to the State Grand Jury. This action resulted in Ms. Busse's indictment on three felony counts of theft, misuse of public monies, and fraudulent schemes.

Integrity ★ Accountability ★ Making a Difference