

## **Pine-Strawberry Water Improvement District Theft and Misuse of Public Monies**

**CONCLUSION:** The Gila County Attorney's Office reported a fraud allegation to the Office of the Auditor General involving Rebecca Sigeti. Ms. Sigeti was the accounting manager for Pine-Strawberry Water Improvement District (District) and the accountant for a private business, Sunny Mountain Realty, LLC (Sunny Mountain). Our investigation of Ms. Sigeti revealed that from August 2010 through January 2016, she may have embezzled a total of \$841,056 from her employers: \$524,686 from the District and \$316,370 from Sunny Mountain. The alleged embezzled district monies came from customer security deposits and water-use payments as well as taxpayer property tax payments and should have been used to support district operations. We have submitted our report to the Arizona Attorney General's Office, which has taken criminal action against Ms. Sigeti resulting in her indictment on 40 felony counts.

### **Ms. Sigeti allegedly embezzled \$524,686 of district monies by issuing district checks and warrants to herself and three related businesses**

From August 2010 through January 2016, Ms. Sigeti may have violated state laws related to theft, misuse of public monies, fraudulent schemes, computer tampering, money laundering, and forgery when she issued 32 district checks and warrants with forged signatures totaling \$524,686 payable to herself and to three businesses for which she managed the bank accounts. Specifically, Ms. Sigeti paid \$408,922 of these monies to Sunny Mountain; \$93,294 to two businesses she owned with her husband; and \$22,470 directly to herself. Ms. Sigeti also falsified district records to help conceal her scheme by recording false payees, omitting payees, and deleting entries in the District's accounting software program and in bank account reconciliations.

### **Ms. Sigeti allegedly embezzled \$316,370 of Sunny Mountain monies by issuing checks to herself, her creditors, and two of her businesses**

From August 2010 through September 2015, Ms. Sigeti may have violated state laws related to theft, fraudulent schemes, computer tampering, money laundering, and forgery when she issued 200 Sunny Mountain checks with forged signatures to herself, her creditors, and two of her businesses.<sup>1</sup> These checks totaled \$725,292; however, \$408,922 of this amount was paid with district monies deposited in Sunny Mountain's bank account, resulting in an alleged net theft from Sunny Mountain of \$316,370. Specifically, Ms. Sigeti issued Sunny Mountain checks totaling \$681,092 directly to herself and \$44,200 to her businesses and creditors. Ms. Sigeti also falsified Sunny Mountain records by recording false payees, omitting payees, deleting entries in the accounting software program, altering bank statements, and creating false invoices.

#### **Investigation highlights**

Rebecca Sigeti, former district accounting manager and former Sunny Mountain accountant allegedly:

- Embezzled \$841,056 from the District and Sunny Mountain by paying herself \$703,562, and her businesses and creditors \$137,494.
- Falsified computer data, reconciliations, bank statements, and invoices to conceal her embezzlement.

<sup>1</sup> The signatures on three Sunny Mountain checks were illegible, and authenticity could not be determined.

# District governing board members failed to safeguard and control district monies

Former and current district governing board members failed to properly protect and control district monies entrusted to them by taxpayers. Specifically, they did not implement adequate controls over disbursement procedures, review bank statements, or enforce their conflict-of-interest policy.

## Recommendations

Although district governing board members took certain corrective measures after our June 2016 investigative report regarding a former district governing board member, they can take additional action to improve control over public monies and help deter and detect fraud.<sup>2</sup> Governing board members reported they implemented some corrective measures, such as obtaining conflict-of-interest statements from governing board members and applicable personnel, ensuring checks and warrants are not prepared by authorized signers, and independently approving invoices for payment. However, the following recommendations from our June 2016 report have not yet been implemented. Specifically, governing board members should:

- Regularly review bank statements and ensure bank statements are reconciled to check register records by an individual independent of cash disbursements. Governing board members should review these reconciliations and compare them to the bank statements.
- Establish and enforce a written policy to ensure all applicable personnel complete and sign conflict-of-interest statements at least every year.

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<sup>2</sup> The first investigation involved a separate alleged fraud with a former district governing board member. See Office of the Auditor General, Special Investigation: *Pine-Strawberry Water Improvement District Theft and Conflict of Interest*, June 2016, Report No. 16-403.