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March 1, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board  
Pima County Joint Technical Education District

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Kathy Hoffman, Arizona State Superintendent of Public Instruction

The Office of the Auditor General has conducted a financial investigation of Pima County Joint Technical Education District (District) cash collections for the period March 2016 through August 2016. We performed the investigation to determine the amount of public monies misused, if any, during that period.

The investigation consisted primarily of inquiries, observations, examination of selected financial records and other documentation, and selected tests of internal control over the District's cash collections. 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 and recommendations as a result of this investigation.

Sincerely,

Lindsey Perry, CPA, CFE  
Auditor General

## Pima County Joint Technical Education District Misuse of Public Monies

**SYNOPSIS:** As part of its responsibility to prevent and detect fraud, the Pima County Joint Technical Education District (District) took appropriate action and reported suspected fraud to the Pima County Sheriff’s Office, which requested that the Office of the Auditor General investigate allegations of financial misconduct by a former District account services manager. Our investigation revealed that from March through August 2016, he failed to deposit in District accounts \$12,321 of cash he received that was collected from District students, parents, and other individuals. He also manipulated District records and may have forged a District deposit form to conceal his actions. We have submitted our report to the Arizona Attorney General’s Office for appropriate action.

### Overview

In fiscal year 2017, the District had \$19,745,912 in revenue and provided career and technical education to about 18,000 students. Beginning in August 2015, the former account services manager was responsible for recording and depositing all cash receipts, including receipts satellite campus employees collected that were remitted to him at the main campus. In August 2016, after he went on unscheduled leave, another employee reviewed his work and discovered discrepancies in deposit records. The District conducted an internal investigation and reported their findings to the Pima County Sheriff’s Office and the District governing board, which terminated his employment in September 2016.

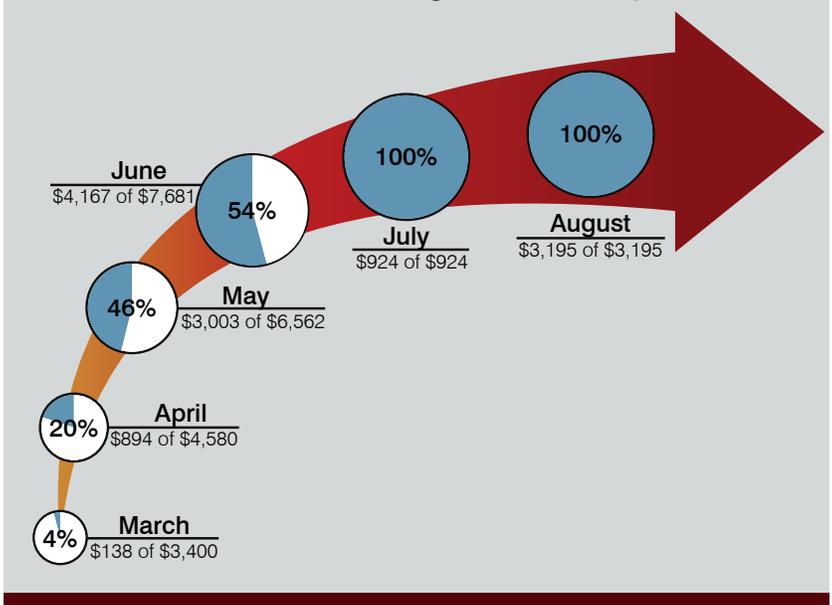
### Former account services manager may have embezzled \$12,321 of District monies and falsified District records to conceal his actions

From March through August 2016, the former account services manager failed to deposit in District accounts progressively larger percentages of the total amount of cash he received that was collected from District parents, students, and other individuals. In total, he failed to deposit in District accounts \$12,321 of the \$26,342 in cash he received during his last 6 months of active employment.

Moreover, for all the District cash receipts that he failed to deposit, he omitted or falsified the associated receipt entries in the District’s accounting software, making it falsely appear as if that cash had never been received and helping to conceal his actions.

Additionally, the former account services manager may have further concealed his actions by forging at least 1 deposit form. Although many deposit records were missing, District officials found in his desk 1 forged deposit form and 1 genuine deposit form with the same date. A satellite campus employee told us that she had prepared the genuine form, which listed \$587.00 in cash and \$280.20 in checks, but not the forged form, which listed only checks and excluded the cash entirely. The former account services

**Amounts and percentages of 2016 District cash receipts former account services manager failed to deposit**



manager deposited the checks totaling \$280.20 in District accounts but failed to deposit the cash totaling \$587.00. He also omitted the cash receipt entries for this deposit form in the District's accounting software, making it falsely appear as if the cash had never been received.

### Excerpt of genuine deposit form

Currency	Quantity	Amount
\$100	1	\$ 100.00 -
\$50	1	\$ 50.00 -
\$20	21	\$ 420.00 -
\$10		\$ - -
\$5	2	\$ 10.00 -
\$1	67	\$ 67.00 -
Change/Coins		
	CASH	\$587.00 -
	CHECKS	280.20
	<b>TOTAL</b>	<b>\$867.20 -</b>

### Excerpt of forged deposit form

Currency	Quantity	Amount
\$100		\$ - -
\$50		\$ - -
\$20		\$ - -
\$10		\$ - -
\$5		\$ - -
\$1		\$ - -
Change/Coins		
	CASH	\$ - -
	CHECKS	280.20
	<b>TOTAL</b>	<b>\$ - -</b>

Source: District records.

## District officials failed to ensure all collected receipts were deposited

District officials did not independently review the former account services manager's deposits. Moreover, District employees at the main campus and at the satellite campuses reported that they maintained copies of all issued prenumbered receipts, but there was no record that those receipt copies were reconciled to District deposits. Additionally, when satellite campus employees submitted their receipt documentation and associated cash and check payments for the former account services manager to deposit, no one acknowledged transferring and receiving those monies. Consequently, his actions were undetected until, as mentioned earlier, another employee reviewed deposits during his unexpected leave in August 2016.

### Recommendations

Since becoming aware of the alleged theft, District officials reported that for all employees collecting cash receipts, they now conduct annual training on newly developed written cash receipt policies and procedures that require all deposits to be independently reviewed and approved. However, the District can take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, District officials should:

- Ensure issued receipt copies are numerically accounted for and independently reconciled to District deposits.
- Require employees to sign for and document the date and amount received each time money is transferred among employees.
- Consider conducting unannounced audits to verify that cash and check payments agree to cash receipt records.