



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

April 30, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board

Thunderbird Irrigation Water Delivery District of Pinal County No. 2

The Honorable Kent Volkmer, Pinal County Attorney

We have conducted a financial investigation of Thunderbird Irrigation Water Delivery District of Pinal County No. 2 (District) for the period March 2006 through October 2012. 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 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 and recommendations as a result of this investigation.

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General

Thunderbird Irrigation Water Delivery District of Pinal County No. 2

Criminal Indictment—Theft and Misuse of Public Monies

SYNOPSIS: We received an allegation of financial misconduct by Suzanne Perkins, former office administrator and governing board clerk at Thunderbird Irrigation Water Delivery District of Pinal County No. 2 (District). Our investigation revealed that from March 2006 through October 2012, Ms. Perkins allegedly issued District warrants, many with at least 1 forged signature, for personal purposes totaling \$278,371. Specifically, Ms. Perkins paid for \$172,569 worth of personal credit card, District credit card, and District line of credit charges and issued warrants totaling \$105,802 payable to her family members that were deposited or endorsed to her and her husband’s joint personal checking account. We have submitted our report to the Pinal County Attorney’s Office, which on February 27, 2019, presented evidence to the Pinal County Superior Court Grand Jury. The action resulted in Ms. Perkins’ indictment on 9 felony counts related to theft, misuse of public monies, fraudulent schemes, and forgery.

Overview

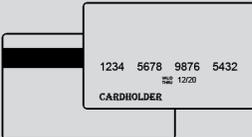
The District is responsible for irrigation wells throughout 720 acres in Pinal County and is governed by a 3-member Board of Trustees. The most recent annual report the District submitted to the Pinal County Board of Supervisors was for fiscal year 2016 and reported \$168,292 of tax revenues and \$43,763 of customer water service payments. Ms. Perkins was the District’s office administrator and governing board clerk from 1998 until her resignation in 2013. She was responsible for all accounting functions, including signing warrants, which was also a duty of the Board of Trustees. During Ms. Perkins’ entire District employment, her husband was a Board of Trustees member.

Ms. Perkins issued District warrants, many with at least 1 forged signature, for personal purposes totaling \$278,371

Ms. Perkins used District monies to pay for personal charges made on several credit accounts totaling \$172,569—From March 2006 through October 2012, Ms. Perkins issued 232 District warrants to pay for \$97,247 of personal charges made on her and her husband’s personal credit cards and \$75,322 for personal charges made on District credit cards held at a home improvement store and a retail department store, and a District line of credit held at a computer technology company. These charges totaling \$172,569 included interest expenses, fees, cash advances, payments to other personal credit card accounts, as well as extensive personal purchases as listed in the text box.

Of these 232 warrants, 99 had at least 1 Board of Trustee’s forged signature.

Examples of personal purchases made on credit and paid with District monies

Air conditioning repair	Roofing materials	Riding lawn mower	
HVAC/air conditioning system	Paint & supplies	Health & beauty products	
Stone countertops	Home theatre systems	Tattoo shop services	
Appliances	MP3 players	Clothing	
Kitchen cabinets	Personal computers	Bridal store items	
Swimming pool/filter	Home furnishings	Fabric/crafting supplies	
Grocery store items	Carpet & rugs	Pet care	
		Fitness programs	Restaurant expenses

Ms. Perkins issued unauthorized District warrants to family members totaling \$105,802—From August 2007 through July 2012, Ms. Perkins issued 105 unauthorized District warrants (i.e., checks) payable to her husband and 2 of their sons totaling \$105,802. Available bank records show 100 of these warrants totaling \$102,698 were deposited in her and her husband's joint personal checking account.¹ All warrants issued to Mr. Perkins are included in this report because he was not a District employee and he reported to us that he was never paid for any District-related work. He further stated that any work he performed was as a volunteer or as a member of the Board of Trustees, and he does not remember ever receiving a check. Conversely, not all warrants Ms. Perkins issued to her 2 sons are included in this report because those warrants not deposited to her and her husband's checking account were likely for their sons' wages earned as District employees.

These unauthorized warrants deposited in Ms. and Mr. Perkins' joint checking account were commingled with other monies and used for personal purposes such as retail and restaurant purchases, medical expenses, debt payments, and cash withdrawals.

Of these 105 warrants, 63 had at least 1 Board of Trustee's forged signature.

District's former Board of Trustees failed to provide adequate oversight and maintain effective internal controls

The District's former Board of Trustees did not establish controls to ensure District monies were properly safeguarded. In fact, no written policies for financial processes existed. Moreover, 1 former trustee stated she did not review supporting documentation when signing warrants because she trusted Ms. Perkins. Additionally, Ms. Perkins' husband, who was also a trustee, participated in related-party transactions. In particular, he participated in hiring 2 of his sons and signed warrants payable to family members, including his wife. Consequently, Ms. Perkins was able to control District finances because she maintained District accounting records, reconciled those records to Pinal County Treasurer records, deposited payments for District services, prepared billings, issued warrants, and was an authorized signor on the warrant account.

Recommendations

Although no internal control system can completely prevent inappropriate behavior such as Ms. Perkins', the District's Board of Trustees can take the following actions to help ensure District monies are adequately safeguarded. Specifically, the Board of Trustees should establish written policies for all District financial processes that include procedures to ensure:

- Supporting documentation for all expenditures is independently reviewed and determined to be appropriate and for District purposes prior to payment.
- Financial duties are properly separated. For example, a person not authorized to sign warrants should record the expense in District records, and another person not authorized to sign warrants should ensure accuracy by comparing District records to canceled warrants.
- Financial transactions are independently verified. For example, a person not authorized to sign warrants should receive treasurer statements directly from the county or use digital access to compare county records to District records and ensure transactions are accurately recorded and reconciled to treasurer statements. The Board of Trustees should immediately investigate and resolve any discrepancies noted in reconciliations.
- Related-party circumstances and potential conflicts of interest are fully disclosed in writing on at least an annual basis, and participation in associated transactions is appropriately restricted.

¹ Although complete deposit records were not available for 5 warrants totaling \$3,104, those warrants were still endorsed to Ms. and Mr. Perkins' joint personal checking account.