



In 2018, the Office of the Auditor General received 51 fraud-related allegations concerning school districts, counties, cities and towns, special taxing districts, and State agencies. We evaluated all allegations to determine sufficiency of evidentiary documentation and whether the issue would be best resolved through a financial investigation or further review by independent auditors or separate regulatory agencies.

Financial investigations

Reports issued

We issued 5 financial investigations in 2018 that led to prosecuting agencies obtaining 38 criminal charges against 6 individuals. These charges related to theft, misuse of public monies, fraudulent schemes, conflict of interest, money laundering, assisting a criminal syndicate, and conspiracy.

- A **Silver Creek Irrigation District** bookkeeper withdrew from the District's bank account \$829,400 by cashing 546 District checks he had issued payable to himself or cash. He reportedly gave all of this cash to his friend who used it along with her husband for personal purposes.
- A **Western Arizona Vocational Education District** business manager allegedly embezzled \$139,284 of public monies using 4 different schemes. Specifically, she issued WAVE warrants to herself and her credit card companies, kept payments parents and others made that should have been deposited in WAVE bank accounts, made personal purchases with WAVE credit cards, and gave herself an unauthorized payroll raise.
- A **Valley Metro** chief executive officer may have abused his authority and caused Valley Metro to pay \$32,491 of his and his wife's personal travel, meal, and alcohol expenses, falsifying certain Valley Metro records to conceal his actions.
- A **Scottsdale Unified School District** chief financial officer failed to disclose her substantial interest with a District vendor and participated in District decisions affecting that vendor, which paid her \$28,430.
- A **Glendale Union High School District** attendance secretary allegedly embezzled \$3,455 of monies students paid for their parking permits and used those monies for her personal purposes.



Prosecutorial outcomes

Six individuals previously charged as a result of our financial investigations pleaded guilty in 2018. These charges related to misuse of public monies, fraudulent schemes, forgery, conflict of interest, conspiracy, illegally conducting an enterprise, and aid in preparing a false tax document. As shown in the chart on the next page, these



TYPICAL ARIZONA LOSS **NEARLY DOUBLES**
TYPICAL GLOBAL STATE/PROVINCIAL LOSS



ARIZONA **\$206,612¹**

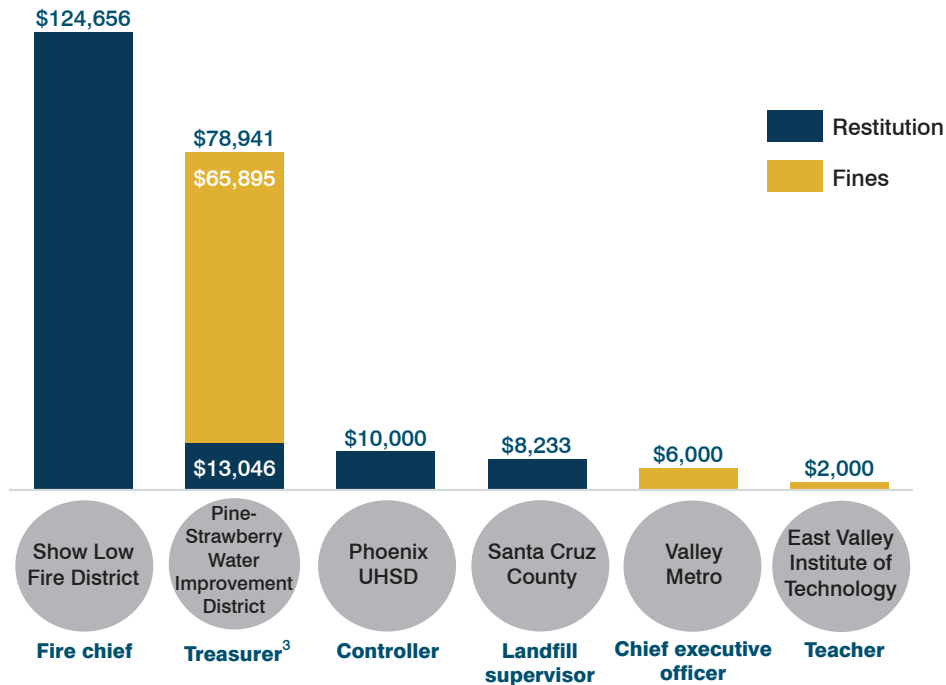
GLOBAL **\$110,000²**

¹ 2018 Office of the Auditor General financial investigations total losses of \$1,033,060 at 5 government entities.

² Association of Certified Fraud Examiners, Inc. (2018). *Report to the nations on occupational fraud and abuse*. Austin, TX.

individuals either stipulated to or were sentenced for up to 2.5 years of incarceration, 10 years of probation, 160 hours of community service, and \$229,830 in restitution and fines.

2018 offender plea agreements: restitution, fines, incarceration, probation, and community service sentences



Incarceration	1.5-2.5 years					
Probation	3 years	TBD	1.5 years	3 years	2 years	6 months
Community service	100 hours		60 hours			

Fraud prevention and detection



We provided victim government entities with 13 specific ways to improve internal controls directly related to their losses to help them protect public monies from future misuse.

Our financial investigators conducted 6 fraud detection trainings for fellow employees, other government auditors, and university and community college students.

We issued a **Fraud Prevention Alert** describing basic data analytic techniques for detecting fraud such as even-dollar testing, duplicate-payment testing, and gap and sequence validation.



One of our financial investigators served on the board of directors for the Arizona chapter of the Association of Certified Fraud Examiners, Inc., the world's largest anti-fraud organization dedicated to preventing and detecting fraud through education and training.

³ The Pine-Strawberry Water Improvement District Treasurer had not yet been sentenced at publication time. Presented terms are those he agreed to in his plea agreement and are subject to court approval.