



A REPORT
TO THE
ARIZONA LEGISLATURE

Special Investigative Unit

Special Investigation

Paradise Valley Unified School District No. 69

Theft and Misuse of Public Monies

March • 2013



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

March 12, 2013

Members of the Arizona Legislature

Governing Board
Paradise Valley Unified School District No. 69

The Honorable Tom Horne
Office of the Attorney General

The Honorable John Huppenthal
State Superintendent of Public Instruction

The Office of the Auditor General has conducted a special investigation of the Paradise Valley Unified School District No. 69 for the period December 2008 through May 2010. The investigation was performed 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 Paradise Valley Unified School District No. 69. 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 accompanying Investigative Report describes the Office's findings and recommendations as a result of this special investigation.

Debbie Davenport
Auditor General

Enclosure

SUMMARY

In September 2010, the Paradise Valley Unified School District No. 69 (District) requested that the Office of the Auditor General investigate allegations of financial misconduct by Brian Dyer, former North Canyon High School (NCHS) athletic director and math teacher. As a result of our investigation, we determined that Mr. Dyer used a fraud scheme to embezzle and misuse public monies, and falsified documents to conceal his crimes. The Arizona Attorney General's Office has taken criminal action against Mr. Dyer, resulting in his indictment on felony charges (see Conclusion on page 15 of this report).

Our investigation revealed that from December 2008 to May 2010, Brian Dyer may have violated state laws related to theft, misuse of public monies, fraudulent schemes, and forgery. Specifically, Mr. Dyer unlawfully appropriated \$10,578 and \$2,497, respectively, of public monies for himself and for another employee. These monies were intended to benefit the District, and NCHS students and athletic teams.

Mr. Dyer embezzled and misused \$10,578 of district monies received from booster club and business donations, athletic fee payments, the NCHS Auxiliary Operations Fund, and fund-raising activities by taking cash and diverting checks into his personal bank account. He used this money for his own benefit, spending it for his personal use.

Additionally, by falsifying public documents, Mr. Dyer unlawfully provided a school coach with \$2,497 in extra compensation. Specifically, Mr. Dyer falsified a district coaching contract to pay the baseball coach \$2,297 for improper preseason coaching work. Mr. Dyer's actions may have placed the District at risk of receiving Arizona Interscholastic Association sanctions, which could include placing the NCHS baseball team on probation, prohibiting post-season play and awards, and disqualifying it from play. In addition, Mr. Dyer falsified two purchase order forms to improperly pay the same coach a total of \$200 for security and ticket booth services at two NCHS athletic events.

Investigation highlights

Former North Canyon High School Athletic Director Brian Dyer:

- Embezzled and misused \$10,578 of public monies intended for the benefit of students when he took school-related cash and diverted school-related checks into his personal bank account, later spending it for personal use.
- Falsified public documents, which unlawfully provided a school coach with \$2,497 in extra compensation. In doing so, Mr. Dyer may have placed the District at risk of Arizona Interscholastic Association sanctions.

Mr. Dyer embezzled and misused public monies by abusing his authority as the NCHS athletic director and circumventing controls governing the deposit of district money. Additionally, the NCHS principal at the time and certain district administrators failed to adequately safeguard and control district monies. In particular, these administrators did not respond to initial allegations of Mr. Dyer's financial misconduct. Further, despite two notifications from the district internal auditor that controls over the NCHS Auxiliary Operations Fund revolving bank account were inadequately segregated, these administrators failed to take corrective action. In addition to this failure, the principal also disbursed district monies held in the Auxiliary Operations Fund revolving bank account without reviewing supporting documents for propriety.

Although no internal control system can completely prevent dishonest behavior such as Mr. Dyer's, there are ways to improve control over public monies to help deter and detect fraud (see Recommendations on page 13 of this report). In the time since the Office of the Auditor General's investigation began, district administration identified and implemented some improvements to its controls over donations and payments made to its schools, including providing additional annual training to district and school office staff on cash-handling procedures, assigning an administrator to monitor and track school donations, adding cash-handling criteria to principal and teacher performance evaluations, and closing unauthorized bank accounts.

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INTRODUCTION & BACKGROUND

Paradise Valley Unified School District No. 69 (District) is located in the metropolitan area of Phoenix, encompassing portions of northeast Phoenix and north Scottsdale. The District is composed of 32 elementary schools, 8 middle schools, 6 high schools, and 1 online school. The District is accountable to taxpayers for the nearly \$290 million it received in fiscal year 2012 to educate approximately 33,000 students. 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.

The District's North Canyon High School (NCHS), with approximately 2,456 students, employs an athletic director, equipment manager, athletic administrative assistant, and trainer to administer its sports programs for the fall, winter, and spring seasons.

Brian Dyer's district employment included athletic department duties

Mr. Dyer began his employment with the District in August 2006 as a math teacher at NCHS. At the same time, Mr. Dyer also accepted the supplemental position of NCHS assistant athletic director. He became the athletic director the following school year. Mr. Dyer held the math teacher and athletic director positions until his October 2010 resignation.

As the NCHS athletic director, Mr. Dyer was responsible for managing NCHS's athletic program, including overseeing athletic events, hiring and supervising athletic department staff and coaches, and managing athletic receipts for participation and entrance fees, and gifts and donations.

Mr. Dyer's athletic director duties

- Overseeing athletic events
- Hiring and supervising athletic department staff and coaches
- Managing athletic receipts

Allegations against Mr. Dyer began in 2009, but no district action taken until September 2010

In late 2009, NCHS athletic department staff relayed concerns to the district athletic director at the time that Mr. Dyer directed staff to manage athletic receipts contrary to district policy. Specifically, Mr. Dyer allegedly told staff to sell tickets to various NCHS athletic events without recording those ticket numbers on a ticket log. The cash receipts from these unrecorded sales were given to Mr. Dyer. The District's athletic director was also concerned that Mr. Dyer had not submitted records for money raised in fund-raising efforts, and he relayed both of these concerns to NCHS's principal at the time. However, no action was taken until September 2010, soon after the same principal was informed of an additional situation where Mr. Dyer acted in conflict with district policy. Specifically, in early September 2010, Mr. Dyer directed staff to put unrecorded sales receipts from a football game totaling \$130 in cash into an envelope, which he later put into his briefcase. As a result, the District placed Mr. Dyer on administrative leave on September 3, 2010, pending its investigation into his reported unprofessional conduct.

During a meeting with the principal on September 8, 2010, Mr. Dyer admitted to taking \$130 of unrecorded sales from the football game's cash receipts to use on athletic-related supplies. Mr. Dyer then removed the cash from his briefcase and gave it to the principal. Subsequently, the District and Mr. Dyer entered into a settlement agreement where Mr. Dyer agreed to resign his math teacher and athletic director positions, effective October 8, 2010.

FINDING 1

Brian Dyer embezzled and misused public monies

From December 2008 through May 2010, Mr. Dyer, former North Canyon High School (NCHS) Athletic Director, embezzled \$10,578 by taking school-related cash and depositing school-related checks into his personal bank account (see Table 1). These monies included NCHS donations, sports-related fees, Auxiliary Operations Fund monies, and fund-raising proceeds. These monies belonged to the Paradise Valley Unified School District (District) for the benefit of NCHS students and should have been deposited into the appropriate district accounts. Instead, Mr. Dyer deposited a substantial portion of these monies into his personal bank account and then withdrew cash, transferred money to another personal bank account, and made personal purchases (see page 6 for more information on how Mr. Dyer used these monies).

Table 1: Sources of public monies embezzled and misused by Mr. Dyer December 2008 through May 2010

Description	Checks		Cash Receipts		Total
	Amount	Number	Amount	Number	Amount
Donations	\$5,590	9			\$ 5,590
Sports-related fees	1,452	16	\$ 990	11	2,442
Auxiliary Operations Fund monies	1,879	3			1,879
Fund-raising proceeds	<u> </u>	<u> </u>	<u>667</u>	<u>5</u>	<u>667</u>
Total theft and misuse	<u>\$8,921</u>	<u>28</u>	<u>\$1,657</u>	<u>16</u>	<u>\$10,578</u>

Source: Auditor General staff analysis of Mr. Dyer's bank account records, district records, and parent and donor statements.

Mr. Dyer misappropriated school-related cash and checks intended for NCHS students, depositing most of the monies into personal bank account

In a year and a half, Mr. Dyer diverted 28 checks for North Canyon High School totaling \$8,921 to his own account named “North Canyon Account.”

In December 2008, Mr. Dyer and his father-in-law opened a joint checking account at a local bank using their personal social security numbers. They named the account “North Canyon Account.” However, this account was neither an authorized school account nor a booster club account. Mr. Dyer deposited, or directed his father-in-law to deposit, into this personal account 28 school-related checks totaling \$8,921. All of these checks were written for the benefit of NCHS and its students. Additionally, Mr. Dyer embezzled \$1,657 by taking cash from athletic fee payments and fund-raising activities. Although cash was also deposited into Mr. Dyer’s personal account, auditors were unable to determine if the embezzled cash was deposited into this personal account or used directly by him.

Approximately \$5,590 of donations misappropriated—From December 2008 through May 2010, Mr. Dyer diverted \$5,590 of public monies by depositing into the personal bank account described above nine school-related checks that were contributions intended for NCHS and its student athletes. Based on their discussions with Mr. Dyer and Auditor General staff, these donating businesses and booster clubs expected the money to be used for NCHS or its student athletes’ expenses such as team uniforms, trip fees, and food, not for Mr. Dyer’s personal expenses.

Approximately \$2,442 of sports-related fees misappropriated—From December 2008 through April 2010, Mr. Dyer misappropriated receipts for sports-related fees totaling \$2,442—16 checks totaling \$1,452 and 11 cash receipts totaling \$990—which were primarily for admission and participation at athletic events. Specifically:

- **Family athletic event pass monies embezzled and false passes created to conceal theft**—Mr. Dyer and other athletic department employees sold family athletic event passes for \$90 each. These passes entitled the cardholder, including two adults and three nonhigh school students, to admission into district athletic events.¹ Mr. Dyer should have completed a cash collection report and submitted these monies to the NCHS Bookstore for deposit. Instead, Mr. Dyer converted these monies for his own use by depositing nine checks totaling \$810 into his personal bank account. Mr. Dyer also embezzled \$990 in event pass receipts, which were paid in cash. Sometimes Mr. Dyer collected the event pass monies directly. In other instances in which athletic department staff collected event pass monies, he improperly directed them to

Mr. Dyer directed his staff to give him cash and checks collected from family athletic event pass sales and to create false passes to conceal his theft.

¹ Not including regional, state, and other special tournaments.

give these monies to him rather than include these monies in the day's deposit. Mr. Dyer also directed athletic department staff to create duplicate event passes for the monies that he had taken. Accordingly, in the event of an audit, Mr. Dyer could hide the discrepancies and provide evidence that those passes remained unused.

- **Athletic event participation fees embezzled**—The District assessed a \$200 participation fee for each student participating on a high school athletic team.² The NCHS Bookstore was responsible for collecting and depositing these fees into the appropriate district account. However, Mr. Dyer circumvented the NCHS Bookstore and directly collected partial participation fees for two students totaling \$350 (four checks), which he later deposited into his personal bank account.

Approximately \$1,879 in Auxiliary Operations Fund monies misappropriated—From May 2009 through November 2009, Mr. Dyer deposited into his personal account three checks totaling \$1,879 that related to two district-authorized auxiliary operations fund bank accounts. Mr. Dyer was an authorized signer on one of these accounts, the Auxiliary Operations Fund revolving bank account established for NCHS bookstore and athletic activity. Although Mr. Dyer was only one of the two required signers on revolving account checks, he controlled all other aspects of this account, including issuing checks, maintaining custody of the checkbook, managing the check register, receiving the bank statements, performing reconciliations, and submitting documents to the District. Accordingly, he was able to deposit into his personal account:

- A \$500 check that should have been deposited in the revolving bank account. This money was the result of Mr. Dyer's issuing a revolving account check for services to an umpire, but overpaying him by \$500. The umpire immediately wrote a \$500 check to "North Canyon Athletic" and gave it to Mr. Dyer.
- A \$379 check issued from the revolving bank account payable to "NCHS." No documentation to support the purpose of this expenditure was retained by Mr. Dyer or submitted to the District.

Additionally, Mr. Dyer improperly deposited into his personal account a \$1,000 check issued from another district auxiliary operations fund bank account that should have been used to establish change for students collecting entrance fees at athletic events. At the time Mr. Dyer deposited this check, his personal account's balance was \$0.75. Mr. Dyer eventually returned the \$1,000 to the bookstore at the end of the year; however, he did not have the authority to use these monies personally for any period of time.

² During the 2009-2010 school year, the participation fee was capped at \$400 per family, per year.

At least \$667 in fund-raising proceeds misappropriated—From August 2008 through January 2010, Mr. Dyer misappropriated at least \$667 of fund-raising proceeds that were entrusted to him by event attendees and the NCHS boys' basketball and soccer teams. Specifically, Mr. Dyer sought and received permission from the district athletic director to solicit donations for victims of the 2010 earthquake that struck Haiti and the Dominican Republic. Event attendees made cash donations at three home soccer games; however, Mr. Dyer failed to remit these monies to the district athletic director or to the specified charity organization. In addition, the boys' basketball team and the boys' soccer team separately held several lunchtime fund-raising events selling food to students. The money raised was intended for the boys' basketball and soccer teams, and it was given to Mr. Dyer so he could submit it to the NCHS Bookstore; however, Mr. Dyer never submitted the money for the students.

Mr. Dyer used the deposited school monies mainly for personal purposes

As discussed on page 4, Mr. Dyer and his father-in-law opened a joint checking account at a local bank using their personal social security numbers. Mr. Dyer then deposited, or directed his father-in-law to deposit, into this personal account 28 school-related checks totaling \$8,921, as discussed on pages 4 through 6 of this report. Mr. Dyer also commingled and deposited \$2,345 of other monies, including cash and personal-related checks, before closing the account in September 2010. As illustrated in Table 2, Mr. Dyer used this account mainly for his personal purposes, such as cash withdrawals, and restaurant, retail, and entertainment expenses. A small amount of monies—\$269—was used for school-related items; however, Mr. Dyer had no authority to circumvent district policies for purchasing these goods.

**Table 2: Mr. Dyer's personal bank account activity
December 2008 through September 2010**

Description	Amount
Cash withdrawals and transfer	\$ 4,923
Restaurant purchases	4,749
Retail, entertainment, and other miscellaneous purchases	1,325
School-related purchases	<u>269</u>
Total bank account activity	<u>\$11,266</u>

Source: Auditor General staff analysis of Mr. Dyer's bank account records and witness statements.

- **Cash withdrawals and transfer**—During a 20-month period, Mr. Dyer authorized 22 separate cash withdrawals totaling \$4,873. These cash withdrawals ranged in amounts from \$40 to \$1,000. Additionally, in July 2010, Mr. Dyer transferred \$50 from this account into his and his wife's joint bank account, which had a negative balance of \$44.13.
- **Restaurant purchases**—Mr. Dyer dined at restaurants on 110 occasions and accrued charges totaling \$4,749, of which 70 charges totaling \$3,629 represented his purchases at the same restaurant. Athletic department staff indicated that Mr. Dyer often dined at this restaurant by himself, but also treated them to dinner and drinks on Friday nights, telling them he would “charge it to the boosters.”
- **Retail, entertainment, and other miscellaneous purchases**—Mr. Dyer purchased items and services at retail and entertainment establishments, and incurred fees totaling \$1,325. Some of these purchases included \$362 at local golf courses, \$252 at a cell phone retailer, \$133 at the Biltmore Fashion Park for a designer purse for his wife, and \$30 for games at Disneyland with his children.
- **School-related purchases**—Mr. Dyer instructed his father-in-law and athletic department staff to use the bank debit card from this joint checking account and purchase \$269 of items for the Athletic Department, including tools, equipment, office supplies, and food. Even though some of these purchases may have benefited NCHS, Mr. Dyer did not have the authority to circumvent district purchasing policies for these items.

Mr. Dyer used school monies to purchase items for himself and his family, including meals, a designer purse, and Disneyland games. Mr. Dyer also transferred money from this account into his and his wife's joint bank account to cover a negative account balance.

FINDING 2

Brian Dyer falsified public documents to unlawfully provide school coach with extra compensation

From November 2009 through February 2010, Mr. Dyer misused public monies and falsified three public records to unlawfully provide a school coach with extra compensation totaling \$2,497 (see Table 3). Specifically, Mr. Dyer falsified documents to indicate that the baseball coach would be helping coach the cross country team for \$2,297, when in reality the coach was holding preseason baseball practices and training events. Second, Mr. Dyer circumvented district payroll procedures and falsified documents to pay this same baseball coach \$200 for security and ticket booth services. These actions may have also violated Arizona Interscholastic Association (AIA) rules, subjecting the District to possible AIA sanctions.³ According to Arizona Revised Statutes §35-301, "Duties and liabilities of custodian of public monies," it is a felony to appropriate public monies for personal use or for use by others, or, without legal authority, to deposit public monies in a bank.

Table 3: Unlawful extra compensation paid to NCHS coach November 2009 through February 2010

Description	Amount
Illicit payment for unallowable preseason baseball practice and training	\$2,297
Improper payment for sporting event worker	200
Total	<u>\$2,497</u>

Source: Auditor General staff analysis of district records and witness statements.

Mr. Dyer falsified coaching contract to pay for unallowable preseason practices and training for NCHS baseball team

In December 2009, Mr. Dyer falsified a cross country coaching contract to illicitly pay the NCHS baseball coach for unallowable preseason baseball practices and training. Specifically, Mr. Dyer submitted false documents to the District in which he

Mr. Dyer manipulated a coaching contract to pay the NCHS baseball coach for prohibited preseason baseball practices and training.

³ The AIA is a voluntary association of public and private high schools, which encourages maximum student participation in interscholastic activities by providing member schools with fair and equitable competition.

recommended hiring the NCHS baseball coach for the assistant cross country coaching position, while his intention was to pay the coach for prohibited preseason training for the baseball team. On February 4, 2010, the District's Governing Board approved the contract with the baseball coach to assist the cross country team, agreeing to pay the coach \$2,297. Unbeknownst to district administrators and the District's Governing Board, the baseball coach did not assist the cross country team, but rather, at Mr. Dyer's direction, he coordinated baseball team activities during Fall 2009, including organizing pre-season workouts, weight training, and weekly practices.

AIA rules prohibit the baseball team from holding practices prior to the 32nd week of school, which would have been around March 2010. Mr. Dyer knew or should have known about the AIA rules prohibiting the baseball coach from facilitating preseason events. Should the AIA determine that Mr. Dyer's actions violated its rules, it can take adverse action against the District, including placing the NCHS baseball team on probation, prohibiting post-season play and awards, and disqualifying it from play.

Because of Mr. Dyer's actions, the NCHS baseball team may be at risk of receiving AIA sanctions.

Mr. Dyer circumvented district payroll procedures and falsified documents to pay event worker

In November 2009, Mr. Dyer falsified two purchase order forms to pay this same baseball coach a total of \$200 for security and ticket booth services at two NCHS athletic events. Mr. Dyer circumvented district payroll procedures by issuing these event worker payments from the NCHS Auxiliary Operations Fund revolving bank account. This account was authorized to pay nondistrict employees like referees and umpires, not district employees like event workers. In order to pay the coach from this account, Mr. Dyer filled out purchase order forms falsely claiming that the baseball coach had officiated football games and volleyball and wrestling matches. He then submitted these forged documents and revolving account checks to the NCHS principal for her approval and signature. Mr. Dyer's actions caused the District to pay the coach more than double the normal rate paid to event staff for the security and ticket booth services he provided.

FINDING 3

Former NCHS principal and certain district officials failed to safeguard and control district monies

The North Canyon High School (NCHS) principal at the time failed to properly protect and control Paradise Valley Unified School District (District) monies she was responsible for, and district officials failed to ensure the NCHS administration properly handled reports of financial irregularities and employee misconduct. Specifically, the principal did not respond to district staff reports of inadequate internal controls over the NCHS Auxiliary Operations Fund revolving bank account or to initial allegations of an employee's financial misconduct. Further, she disbursed district monies held in the NCHS Auxiliary Operations Fund revolving bank account without reviewing supporting documents for propriety. Certain district officials failed to require the principal to correct internal control deficiencies and ensure that other corrective measures were implemented.

The principal failed to take action despite two notifications from the district internal auditor that controls over the NCHS Auxiliary Operations Fund revolving bank account were inadequately segregated. Specifically, in February 2009 and again in March 2010, the principal was informed that Mr. Dyer had too much control over this account because he was signing checks, maintaining records, and reconciling these records to the account statements. Even though certain district administrators were informed of these findings, they failed to require the principal to take corrective actions. Moreover, although the principal was an authorized signer on this account, she acknowledged to Auditor General staff that she signed revolving account checks without reviewing the checks' information or the supporting documents. As a result, as discussed earlier in the report (see page 5), Mr. Dyer was able to misuse revolving account monies totaling \$1,879 from May through November 2009. District officials closed this account in June 2010.

Despite two notifications from the district internal auditor, the principal at the time failed to take action to correct internal control deficiencies.

After receiving financial misconduct allegations against Mr. Dyer in late 2009, the principal failed to initiate a review of Mr. Dyer's activities. Specifically, athletic department staff relayed concerns to the district athletic director at the time that Mr. Dyer improperly directed subordinates to sell event tickets without recording those ticket numbers on a ticket log. This control measure is required by the *Uniform System of Financial Records for Arizona School Districts* and the District's own written policies to help prevent theft and ensure cash receipts are properly safeguarded and recorded. Additionally, the District's former athletic director was concerned that Mr. Dyer had not submitted records for money that the athletic department raised in support for the victims of the 2010 earthquake that struck Haiti and the Dominican Republic. Mr. Dyer was responsible for donating these monies to the designated charitable organization, which he failed to do. The district athletic director reported both incidents to the principal. However, the principal did not take any action regarding this complaint, and the district athletic director did not monitor or otherwise ensure corrective measures were instituted.

In September 2010, the principal received another allegation of Mr. Dyer's financial misconduct; expressly, Mr. Dyer had directed subordinates to give him \$130 from ticket sales, which he put into his briefcase. It was only after this incident that the principal initiated an investigation into Mr. Dyer's actions. If the principal had initiated a review the first time she received allegations, she could have prevented Mr. Dyer from diverting additional school monies for his personal use.

If the principal at the time had initiated a timely review of Mr. Dyer, she could have prevented him from diverting additional school monies for his personal use.

RECOMMENDATIONS

In the time since the Office of the Auditor General's investigation began, district administrators identified and implemented improvements to controls over donations and payments made to its schools. Specifically, district administration reported that it conducted additional annual trainings for district and school office staff about cash-handling procedures, including those procedures for collecting and depositing donations and ticket sales proceeds. The District also assigned an administrator to monitor and track all school donations to ensure that these monies are deposited into the proper district account. Further, the District updated principal and teacher performance evaluations to include criteria outlining the employee's responsibilities for following cash-handling procedures. Finally, district administration contacted local banking institutions to identify unauthorized accounts that were created using the District's tax identification number. For the accounts identified, district administration contacted the account holders and requested that they close the accounts.

Further, in June 2010 and prior to the Office of the Auditor General's investigation, district administration closed the Auxiliary Operations Fund revolving bank accounts at all of its schools, including at NCHS. These expenditures are now processed by district administrators through the District's Auxiliary Operations Fund bank account.

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

1. Periodically assess whether controls over payments, gifts, and donations are functioning effectively and as designed, and explore ways to strengthen them. For example, the District could request that donors mail donations to the central district office rather than individual schools, or it could implement an online system to directly collect payments and donations.
2. Ensure the proper use and control of monies entrusted to them, including those monies obtained through school event ticket and family athletic event pass sales. The District should strengthen its controls over these cash receipts by requiring that the schools' bookstores maintain, track, and safeguard all ticket rolls and pre-numbered family athletic event passes. Specifically, the bookstores should issue pre-numbered ticket rolls for each event, and following

the event, reconcile the ticket log to the unused tickets, cash receipts, and related collection documents. Similarly, the bookstores should issue the pre-numbered family athletic event passes and reconcile the pass log to unused passes, cash receipts, and related collection documents. Further, the District should ensure that tickets and passes are safe-guarded in the same manner as cash, and are inventoried at the end of the year by someone independent of the collection process.

3. Continue to provide training to those school office employees who collect monies to educate them about district and *Uniform System of Financial Records for Arizona School Districts* policies and procedures concerning gifts, donations, and cash receipts. These policies and procedures should be periodically updated as necessary. For accountability purposes, the District should consider requiring employees to sign a training log or form acknowledging their understanding of these policies and procedures. This form can be maintained in a master file or within each employee's personnel file.
4. Take greater care to ensure its employees' compliance with Governing Board-approved extracurricular salary schedules and guidelines, which include coaching contracts. The District should strengthen its controls over these contracts by disallowing its employees from substituting a contract from one sport to another sport. The District should update its policies to strictly prohibit this practice, and it should also ensure that the schools' athletic directors and principals sign a form acknowledging this understanding. Further, the District should determine whether Mr. Dyer's actions may have violated Arizona Interscholastic Association (AIA) rules concerning preseason practices, and if it deems so, self-report these violations to the AIA.
5. Ensure that district and school administrators properly review internal audit reports and follow up on any deficiencies. Specifically, district administrators, including those who oversee school principals, should monitor annual internal audit reports and ensure that the school principals address and correct those deficiencies identified therein. Additionally, the District should consider including criteria in principal performance evaluations outlining the principals' responsibilities for correcting deficiencies.
6. Ensure that school office employees follow district policies and procedures relating to employee disciplinary actions. The District should ensure that its school principals properly investigate and document complaints against school employees, and further, notify the District's Human Resources Department in a timely manner about a complaint. The District should continue to provide training to educate school office employees about these policies and procedures. For accountability purposes, the District should consider requiring school administrators to sign a training log or form acknowledging their understanding of these policies and procedures. This form can be maintained in a master file or within each employee's personnel file.

CONCLUSION

On March 11, 2013, the Arizona Attorney General's Office presented evidence of Mr. Dyer's crimes to the State Grand Jury. This action resulted in the indictment of Mr. Dyer on five felony counts related to theft, misuse of public monies, and fraudulent schemes.

