

**Investigative Report:
Theft and Misuse of Public
Monies by the Gila County
Public Fiduciary**



**May
2001**

**Debra K. Davenport
Auditor General**



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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

May 1, 2001

Members of the Arizona Legislature

The Gila County Board of Supervisors

The Honorable Janet Napolitano
Attorney General

We have conducted a special investigation of the Gila County Public Fiduciary's Office for the period January 1994 through December 1999. Our investigation was performed to determine the amount of public money misused during that period, if any, and the extent to which these monies had been misused.

Our investigation consisted primarily of inquiries and examination of selected records and other documents. Therefore, our investigation was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the adequacy of the financial records or the internal controls of the Gila County Public Fiduciary's Office. We also do not ensure that all matters involving the Office's internal controls that 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 our findings and conclusion as a result of this special investigation.

After this report is distributed to the members of the Arizona State Legislature, the Gila County Board of Supervisors, and the Attorney General, it becomes public record.

Sincerely,

A handwritten signature in black ink that reads "Debbie Davenport".

Debbie Davenport
Auditor General

Attachment

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Summary

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Investigation Highlights:



At least \$1,177,884 of dependent wards' money was embezzled and misused by the Gila County Public Fiduciary.



Both the County's and the Court's lack of oversight contributed to the enormous loss of public monies.

In January 2000, the Gila County Attorney's Office requested that the Office of the Auditor General investigate certain allegations of financial misconduct by Ms. Rita Riell-Corbin, former Gila County Public Fiduciary. As a result of that request, we conducted an investigation of those allegations and submitted the following findings to the Attorney General. The Attorney General has taken criminal action against Ms. Riell-Corbin. See the Conclusion on page 12.

Our investigation revealed that from at least January 1994 through December 1999, Ms. Riell-Corbin embezzled or otherwise misused public monies totaling a minimum of \$1,177,884. These were monies entrusted to the Gila County Public Fiduciary on behalf of persons unable to manage their financial affairs and in need of guardianship. Ms. Riell-Corbin embezzled at least \$750,159 of these public monies for her personal benefit. She further misused \$209,996 of public monies by practicing nonfeasance and failing to protect the wards' interests. In addition, \$217,729 was missing from the wards' accounts as of January 1994 and could not be accounted for.

Ms. Riell-Corbin embezzled from more than 40 wards by personally writing checks directly from their accounts to pay for charges and cash advances made on her and her families' personal credit cards, as well as personal telephone bills, home improvement purchases, and insurance policies. She wrote nearly 700 checks totaling \$750,159.

Ms. Riell-Corbin further misused public monies when she paid her family members for services supposedly provided to wards. She also used certain wards' money for other wards' benefit and failed to pay mandated County fees. As a result of her embezzlement and other misuse of wards' monies, the wards lost interest earnings. Further, Ms. Riell-Corbin knowingly presented false information to the Court regarding the wards' financial condition.

Gila County records revealed that over \$200,000 was missing from the wards' accounts as of January 1994. Specific use of this missing money cannot be determined because financial records are not available for the years preceding 1994.

Although Ms. Riell-Corbin, as the Gila County Public Fiduciary, embezzled and misused the wards' monies, County and Court officials also breached their fiduciary duty. They failed to act when they knew, or should have known, of the Public Fiduciary's improper activities. Consequently, her schemes continued over at least six years.

Background

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*Monies received by public
fiduciaries in their official
capacity are public monies.*

Each county board of supervisors is required by Arizona Revised Statutes to appoint a public fiduciary and establish an office to help carry out the public fiduciary's duties. The Arizona Supreme Court certifies fiduciaries through its Private Fiduciary Certification Program, which is designed to ensure that Arizona's elderly, mentally incapacitated, and other vulnerable citizens have trained and certified individuals assisting with medical decisions as well as managing their financial affairs and other vital matters.

The public fiduciary is responsible for administering the estates of individuals determined through the Court system to be in need of guardianship due to their physical or mental impairments. These individuals become wards of the County when the Court appoints them to the public fiduciary.

The public fiduciary is required to control, preserve, and protect the wards' property using a standard of care that would be observed by a prudent person dealing with the property of another. Further, monies received by a person in the official capacity of public fiduciary are public monies and shall be lawfully administered. The funds received by the public fiduciary must be deposited in the County treasury or invested in an insured financial institution. Only the public fiduciary may disburse or withdraw these funds. Once a year, the public fiduciary is required to account to the Court the administration of each estate. This account is a listing of all monies received and disbursed during the year on behalf of the ward. Finally, if a ward dies or the estate is reassigned, the public fiduciary must complete a final accounting, which lists all monies received and disbursed up to that date.

◆
*Ms. Riell-Corbin held the position
of Gila County Public Fiduciary
for over 13 years.*

Each County pays the normal operating costs associated with its public fiduciary's office. During fiscal year 2000, the Gila County Fiduciary's Office operated under a \$186,358 budget with 5 employees managing the estates of approximately 87 wards. The public fiduciary may charge wards for reasonable expenses of managing their affairs, based on their ability to pay. These amounts must be deposited in the County general fund.

The Gila County Board of Supervisors appointed Ms. Rita Riell-Corbin as Gila County Public Fiduciary in October 1986. She held this position of trust until January 2000.

Finding I

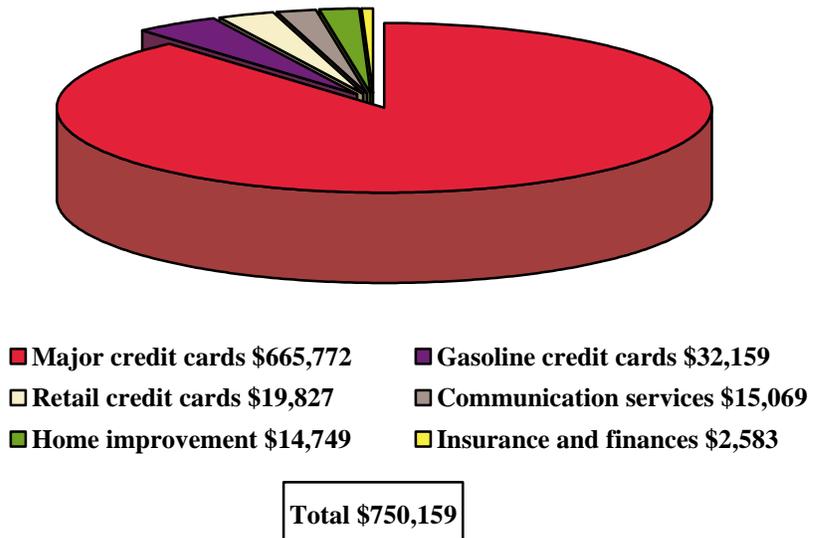
Public Fiduciary

Embezzled Public Monies

From January 1994 through December 1998, Ms. Rita Riell-Corbin, Gila County Public Fiduciary, embezzled \$750,159 of public monies to pay for charges and cash advances made on her and her families' personal credit cards, as well as personal telephone bills, home improvement purchases, and insurance policies. She personally managed the affairs of certain wards, keeping their records locked in her office or stored at home. She then wrote checks directly from wards' accounts, as well as the Public Fiduciary account, to make her credit card payments and to pay other personal debts.

Exhibit 1

**Disbursement of Embezzled Public Monies
January 1994 through December 1998**



Source: Auditor General staff analysis of records from Wells Fargo, Bank of America, Citibank, American Express, Texaco, Chevron, Home Depot, Payless Cashways, AT&T, AirTouch Cellular, US West, Sears, Fingerhut, Montgomery Ward, Physicians' Life Insurance, and Gila County Public Fiduciary.

Major credit cards—The majority of the public money embezzled by Ms. Riell-Corbin paid for charges and cash advances made on her personal credit cards. She wrote 493 checks, totaling \$665,772, directly from wards’ accounts to seven of her major credit card accounts. Furthermore, she gave three family members access to these accounts for their personal benefit. Listed below are descriptions of how the credit cards were used.

◆
The Public Fiduciary used ward assets to pay casino debts and obtain cash advances amounting to \$204,925.

- ◆ Ms. Riell-Corbin and her husband charged \$204,925 on the credit cards for cash advances and other charges related to casinos in Las Vegas and on Arizona Indian Reservations.
- ◆ To her husband’s credit card, nearly \$145,000 was personally charged for such things as electronic equipment, recreational vehicle and automobile repair and service, home improvement materials, major appliances, and household furniture.
- ◆ Ms. Riell-Corbin spent \$118,235 on airplane tickets, hotels, restaurants, and amusement parks during trips to California, Alaska, Missouri, and Colorado. These personal trips were taken approximately every other month and included charges for her husband, children, grandchildren, in-laws, and friends.
- ◆ Her daughter and son-in-law personally charged over \$100,000 for their own food, clothing, gasoline, and medical payments.
- ◆ Other purchases include an acrylic spa, jewelry, movies, meals at restaurants such as Pinnacle Peak, Rustler’s Rooste, Monti’s, and Black Angus. In addition, numerous purchases were made for gasoline, groceries, clothing, shoes, and general merchandise at department stores.
- ◆ Because of many cash advance transactions and unpaid balances, the transaction fees and finance charges were often over \$400 a month.

Gasoline credit cards—Ms. Riell-Corbin also used the wards’ money to pay \$32,159 for charges to her personal gasoline credit cards. Although she occasionally used her own vehicle for work-related travel, she was reimbursed through standard County procedures for those costs. In fact, during this five-year time period, she received travel reimbursements 29 times, totaling \$11,430. Further, Ms. Riell-Corbin stated that she was never denied a travel reimbursement by the County. We noted that the County reimbursed Ms. Riell-Corbin for at least 10 gasoline credit purchases she had paid from the wards’ monies.

Retail credit cards—Ms. Riell-Corbin continued to write checks from the wards’ accounts to pay \$19,827 for charges made on her personal credit cards held by retail department stores. These purchases were for such items as exercise equipment, televisions, kitchen appliances, dinnerware, tires, children’s toys, a freezer, a washing machine, and a dryer that would not be needed by the wards under her care.

Occasionally, Ms. Riell-Corbin purchased small items for the wards using her own money, then submitted receipts to the accounting clerk in her office for reimbursement. During this five-year period, she followed this reimbursement procedure at least 51 times, receiving \$8,012. However, she never submitted receipts or documented justification for the purchases described above.

◆
The Public Fiduciary did not
retain any of the 695 checks she
improperly wrote for her
personal debts.
◆

Other charges—Ms. Riell-Corbin also wrote checks from the wards’ accounts to pay for building materials at home improvement stores, her long-distance telephone service, cellular and pager service, and premiums on her personal cancer and hospital insurance policies.

In all, Ms. Riell-Corbin wrote at least 695 checks from the wards’ accounts for her personal benefit during the period January 1994 through December 1998, at which point the wards ran out of money. The Public Fiduciary staff could not locate any of these checks. The banks returned all canceled checks with the monthly bank statements; however, Ms. Riell-Corbin failed to retain the checks that she had written for fraudulent purposes. We were able to obtain copies of these documents from the various financial institutions beginning with January 1994 records.

Ms. Riell-Corbin was able to carry on her embezzlement scheme partly because she took money from wards whose financial status would likely be unknown by their heirs. In fact, some wards’ only heirs were Gila County wards and therefore also subject to Ms. Riell-Corbin’s charge. However, a family member of one deceased ward questioned the Public Fiduciary’s handling of the estate and contacted a private attorney to pursue the matter. Only then were Ms. Riell-Corbin’s misdeeds discovered.

Finding II

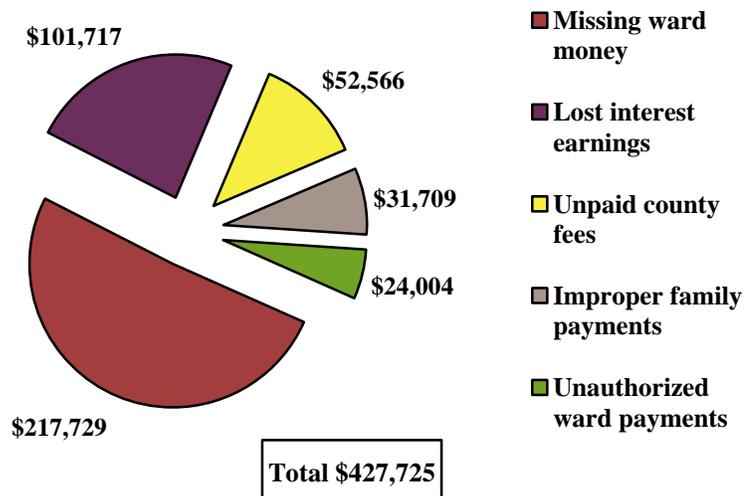
Public Fiduciary Practiced Nonfeasance and Misused Public Monies

From at least January 1994 through December 1999, Ms. Rita Riell-Corbin misused a minimum of \$427,725 by practicing nonfeasance and failing to protect the wards' interests. Gila County records indicate that even prior to 1994, Ms. Riell-Corbin failed to properly control wards' money, possibly spending it on herself and family members. She also hampered interest earnings on the wards' money, failed to pay mandated County fees, covertly paid family members, and improperly used certain wards' money for other wards' benefit.

Further, Ms. Riell-Corbin presented false information to the Court regarding the wards' financial condition. Finally, she neglected to take proper control of wards' possessions, failed to perform basic accounting procedures to ensure those assets were preserved or protected, and failed to file annual and final accountings with the Court.

Exhibit 2

**Summary of Public Monies Misused
As of December 1999**



Source: Auditor General staff analysis of records from Wells Fargo, Bank of America, Gila County Superior Court, and Gila County Public Fiduciary.

Missing ward money—Gila County records revealed that, as of January 1994, at least \$217,729 was missing from the wards' accounts. Ms. Riell-Corbin did not attempt to reconcile this discrepancy or otherwise resolve the problem. Bank records for the wards' accounts are not available for years earlier than 1994; therefore, specific use of the missing money cannot be determined. However, records from several financial institutions demonstrate that Ms. Riell-Corbin also accumulated large credit card balances prior to 1994.

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*Wards under Ms. Riell-Corbin's  
guardianship lost over \$100,000  
of interest earnings.*

*Lost interest earnings*—When Ms. Riell-Corbin used the wards' money for her own benefit, she deprived them of the opportunity to earn interest on their account balances. In addition, she used certain wards' money for the benefit of other wards (see unauthorized ward payments below.) In doing so, Ms. Riell-Corbin often improperly withdrew wards' money from interest-bearing savings and money market accounts. The additional interest that wards should have earned during this period totaled \$101,717.

*Unpaid county fees*—Ms. Riell-Corbin charged certain wards County administrative fees totaling \$52,566 and reported these expenses to the Court in sworn annual accountings from April 1994 through July 1999. However, she never paid the County these monies. Instead, Ms. Riell-Corbin kept the money in the public fiduciary account and misused it over time. Consequently, County revenues were diminished, and Ms. Riell-Corbin was able to perpetuate her embezzlement scheme by making it appear the wards had paid legitimate expenses.

~~~~~ ◆ ~~~~~  
*Ms. Riell-Corbin improperly paid
family members for unsupported
services.*

Improper family payments—Ms. Riell-Corbin paid her husband, son, and son-in-law with wards' money totaling \$31,709 from January 1994 through March 1999. The payments were reportedly for providing services, such as grocery shopping and home maintenance, to the wards. However, no invoices or contracts were submitted for these services and Misc-1099 income tax forms were not issued to the three family members. In addition, Ms. Riell-Corbin failed to retain the majority of checks she had written to them. Furthermore, Ms. Riell-Corbin violated conflict-of-interest laws because she failed to disclose her interest in the transactions, did not refrain from participating in the payments, and never informed County administrators that family members were reportedly providing services to the wards.

Unauthorized ward payments—Ms. Riell-Corbin credited \$24,004 of certain wards' money for the benefit of eight other wards who had no assets. By these actions, she again failed to protect the wards' pecuniary interests.

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*Ms. Riell-Corbin made false
statements to the Gila County
Superior Court.*
◆

Ms. Riell-Corbin knew, or should have known, that many annual and final accountings of wards' financial condition that she presented to the Court contained materially false information, yet she swore, deposed, and stated to the Court that that they were "accurate and complete." For instance, in a final accounting she prepared and presented to the Court in October 1999, Ms. Riell-Corbin swore that the ward had \$298,142 "on hand," when in fact, the public fiduciary had only \$47,423, which represented the combined funds of over 80 wards. In addition, as previously described, Ms. Riell-Corbin falsely swore to the Court 54 times that wards paid County fiduciary fees; however, Ms. Riell-Corbin never transferred these fees to the County.

Finally, as listed below, Ms. Riell-Corbin practiced nonfeasance and neglected the wards by not properly controlling, protecting, and reporting their assets.

- ◆ Items owned by wards were not inventoried or securely stored. There was no safe or safety deposit box to safeguard valuables. A diamond ring and personal legal documents were left in unlocked file cabinets, and several pages of a stamp collection were discovered on a desk.
- ◆ During the 13 years that Ms. Riell-Corbin was the public fiduciary, no bank reconciliations were ever performed.
- ◆ Accounting procedures and responsibilities were not written or properly segregated, as one person was able to deposit money and write checks with no oversight.
- ◆ Savings account withdrawal forms were pre-signed, checks only required one signature, and the payee on several checks was "cash."
- ◆ Ms. Riell-Corbin regularly failed to submit annual and final accountings for 71 wards to the Court within the required deadlines.
- ◆ As of December 1999, 24 wards had never had an annual accounting submitted to the Court, despite having been under the care of the public fiduciary for up to ten years.
- ◆ As of December 1999, the public fiduciary had not provided final accountings to the Court for 18 wards, even though one had passed away over nine years previously.

Finding III

County and Court Officials Breached Their Fiduciary Duty

Public officials with oversight authority have a responsibility to oversee the administration of money and property entrusted to their jurisdiction for safekeeping. Likewise, public officials should ensure that sufficient internal controls are designed and implemented to protect those assets. However, certain Gila County and Superior Court officials breached their fiduciary duty by failing to act when they knew, or should have known, of the Public Fiduciary's improper conduct and inadequate job performance. As a result, their inaction allowed Ms. Riell-Corbin to exploit vulnerable individuals entrusted to the protection of Gila County.

..... ◆
*County officials did not inform
the Superior Court that legal
records filed by the Public
Fiduciary were false.*
..... ◆

The Finance Director and Health and Human Services Director failed to inform the Superior Court that annual accountings filed by the Public Fiduciary contained false information. In March 1998, the Finance Director discovered that Ms. Riell-Corbin had not been transferring the administrative fees owed to the County and charged to wards, and, therefore, requested copies of annual accountings from the Superior Court. Consequently, he learned that Ms. Riell-Corbin was falsely proclaiming that these fees were being paid by wards and submitted to the County. The Finance Director and the Health and Human Services Director immediately met with the Public Fiduciary; however, they did not report their findings to the Superior Court.

As a result of that meeting, the Finance Director and Health and Human Services Director became aware that Ms. Riell-Corbin had also improperly used other wards' money for a certain ward's care. The Finance Director reported this to the Board of Supervisors and the County Administrator, but did not review Public Fiduciary financial records. Further, although cognizant of her improper activities, County officials loaned \$11,770 to the Public Fiduciary's Office for "incorrect disbursement of client funds." This loan was reportedly going to be repaid when the Public Fiduciary received back payments due to the specific ward from federal and state long-term care agencies. Although the Public Fiduciary received the back payments, this money had not been fully repaid as of December 1999.

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County officials did not
investigate serious allegations of
mismanagement within the Public
Fiduciary's Office.
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The Health and Human Services Director failed to investigate concerns brought to his attention in May 1999. Because Ms. Riell-Corbin allowed her certification to lapse in April 1999, the County hired a private fiduciary to temporarily replace her. The private fiduciary documented 12 “issues of concern,” including problems with wards’ personal and real estate property, inadequate financial management, and the lack of annual accountings. Instead of conducting an inquiry of these issues, the County returned Ms. Riell-Corbin to her position three days after she was re-certified, and terminated the private fiduciary nearly three months before the contract expired.

County management failed to ensure that the Public Fiduciary’s Office had even very basic internal controls over its financial transactions. Ms. Riell-Corbin was allowed to control disbursements from wards’ accounts with virtually no oversight or accountability.

The attorney employed by Gila County to represent the Public Fiduciary’s Office failed to properly notify the Court or County administrators that a particular ward’s estate valued at over \$200,000 was not accounted for to the Court and remained undistributed from May 1997 through October 1999. Correspondence between the attorney, Ms. Riell-Corbin, the deceased ward’s niece, her private attorney, and a representative of the Attorney General’s Office indicate the County’s attorney knew, or should have known, that Ms. Riell-Corbin had failed to file this and other financial accountings. The attorney also failed his duty as an officer of the Court by not ensuring that the Public Fiduciary file the many overdue ward financial accountings.

Gila County Superior Court officials failed to practice due diligence. Arizona Revised Statutes require accounts of an estate’s administration to be filed at least annually; however, the Court did not ensure that annual and final accountings be reported for numerous Gila County wards. Specifically, we noted the following instances for individuals the Court had appointed to the Gila County Public Fiduciary’s custodianship:

- ◆ As of December 1999, Ms. Riell-Corbin had not filed annual accountings for over 70 wards, even though the wards had been appointed to her care from two to ten years.
- ◆ For at least three deceased wards, the Court authorized Ms. Riell-Corbin to act as personal representative of the decedents’ estates and then failed to ensure the final accountings were ever submitted to the Court.

- ◆ Five years after Ms. Riell-Corbin's appointment to one of these three ward's estates, the judge issued an order dismissing the case, stating that no action had been taken. As of December 1999, an accounting for this ward's estate, valued at \$150,000, had still not been filed with the Court.

Ultimately, the Court has the authority to require the Public Fiduciary to submit the estates to a physical inspection in any manner specified by the Court. However, no record of any restorative court action was found, other than actions occurring after Ms. Riell-Corbin's scheme was discovered in December 1999.

In summary, both County and Court officials relied too heavily on the Public Fiduciary's Office to fulfill their responsibilities.

Conclusion

Gila County taxpayers in general and Gila County wards in particular were deprived of proper and prudent management of their money by the former Gila County Public Fiduciary, who embezzled or otherwise misused at least \$1,177,884.

As a direct result of the former Public Fiduciary's misdeeds and in response to numerous claims, Gila County has paid \$1,063,992 of both general fund and insurance money to compensate for the losses. As of April 26, 2001, Gila County has paid \$763,992 and the Arizona Counties Property and Casualty Pool has paid \$300,000 to the Gila County Public Fiduciary's Office for the wards or their beneficiaries.

On April 26, 2001, the Attorney General's Office took criminal action against the former Public Fiduciary, Ms. Rita Riell-Corbin, through the Superior Court Grand Jury. This action, consisting of 8 counts, includes theft, fraudulent schemes, misuse of public money, conflict of interest, and perjury.