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**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

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Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

The Honorable Tom Horne  
Attorney General

The Office of the Auditor General has conducted a special investigation of the Yavapai County Education Service Agency for the period September 2011 through October 2011. 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 Yavapai County Education Service Agency. The Office also does not ensure that all matters involving the Agency'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



**REPORT**  
SPECIAL INVESTIGATION

## Agency overview

### Our Conclusion

Our investigation revealed that in September and October 2011, Ms. Rebecca Stolzberg, former finance administrator of the Yavapai County Education Service Agency (Agency), may have violated state laws related to misuse of public monies and fraud schemes by creating false invoices totaling \$19,473 for the Agency to receive improper payments under provisions of a grant. Specifically, Ms. Stolzberg created four false invoices, falsified a reimbursement request form, and submitted this fraudulent documentation to the Arizona Governor's Office of Education Innovation (Governor's Office) in order to obtain reimbursement from the State of Arizona's American Recovery and Reinvestment Act (Recovery Act)—State Fiscal Stabilization Fund. She was able to misuse state monies undetected because she was allowed to prepare, approve, and submit reimbursement requests without any independent review. Further, Ms. Stolzberg may have also violated a state law related to impeding an audit in August and September 2012 when she misled auditors about the invoices' authenticity.

On October 21, 2013, the Arizona Attorney General's Office presented evidence of Ms. Stolzberg's alleged crimes to the State Grand Jury, which resulted in her indictment on three felony and misdemeanor charges.



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**Agency provides services and support to Yavapai County School Districts**—The Agency provides services and support to school districts within Yavapai County. These services include writing and administering special project grants, and organizing special events such as professional development conferences and workshops. Additionally, in fall 2011, the Agency acted as the fiscal agent for three other counties to coordinate the funding for a special symposium discussing topics, such as state educational mandates, to be held in each county.

**Ms. Rebecca Stolzberg worked for the Agency from August 2000 through January 2013**—Ms. Stolzberg began her employment with the Agency as an Account Clerk III in August 2000. In April 2008, Ms. Stolzberg was promoted to finance administrator with responsibilities for administering and reporting on all grants. The Agency terminated Ms. Stolzberg's employment on January 10, 2013.

## Ms. Stolzberg misused \$19,473 of public monies, created fraudulent invoices, and filed false documents

**In September 2011, Ms. Stolzberg sought a grant reimbursement from the Governor's Office for \$19,473 of unallowable expenditures, which the Governor's Office declined to reimburse**—Ms. Stolzberg submitted a reimbursement request on behalf of the Agency and the education service agencies of three other counties seeking to be reimbursed with Recovery Act grant monies for their education symposium expenditures. The Governor's Office personnel informed Ms. Stolzberg that expenditures totaling \$19,473 were unallowable and would not be reimbursed because the expenditures were for food, beverages, and gift cards, or associated with an event that took place after the grant deadline. Ms. Stolzberg was informed that if there were other expenditures that met the guidelines, she could submit those in place of the disallowed expenditures.

**Ms. Stolzberg created four false invoices totaling \$19,473, submitted these documents to the Governor's Office, and received a reimbursement**—Ms. Stolzberg created four false invoices by taking genuine invoices and altering the descriptions and amounts. These fraudulent invoices totaled the exact dollar amount as had been disallowed by the Governor's Office, but described expenditures that would have been appropriate, such as document preparation and supplies. She submitted these false invoices along with a fraudulent reimbursement request form to the Governor's Office. The Governor's Office relied on these false documents and disbursed \$19,473 for expenditures that were actually not acceptable uses of the Recovery Act grant monies. During a November 2012 meeting with Auditor General staff, Ms. Stolzberg admitted that she had concealed the unallowable expenditures by falsifying documents, including invoices and a reimbursement request form. During this meeting, Ms. Stolzberg realized her actions were fraudulent. Regardless of whether Ms. Stolzberg personally benefited from the unallowable disbursement, she misused public monies when she falsified documents to have monies disbursed for unallowable expenditures.

## Ms. Stolzberg misled Auditor General staff and impeded their audit

**Ms. Stolzberg provided the four false invoices to Auditor General staff**—On several occasions in August and September 2012, Auditor General staff requested from Ms. Stolzberg documentation for the Agency's grant programs, including the reimbursement requests associated with the educational symposia. Ms. Stolzberg failed to provide any documentation until October 2012 when she presented incomplete records. Specifically, she presented only the original reimbursement request and supporting invoices, and documentation from the Governor's Office indicating that certain expenditures were disallowed. After auditors made further inquiries, Ms. Stolzberg provided the previously withheld four falsified invoices. By providing these invoices without any further explanation, Ms. Stolzberg falsely represented to auditors that these documents were replacement invoices for allowable expenditures.

After receiving the falsified invoices, auditors attempted to obtain from Ms. Stolzberg additional documentation about the four invoices, such as original receipts, issued checks, purchase orders, journal entries, and clarification of how the disallowed expenditures were handled. Ms. Stolzberg did not respond to auditors' requests and failed to provide any additional documentation or explanation. Eventually Ms. Stolzberg simply stated that she did not have any supporting documents.

**Ms. Stolzberg admitted to creating fake invoices**—In November 2012, subsequent to auditors' contacting representatives from the other three counties to obtain supporting documents, Ms. Stolzberg admitted to Auditor General staff that she had created the fake invoices in order to get the reimbursement from the Governor's Office, indicating that the invoices were not based on actual, allowable expenditures.

## Agency failed to maintain effective internal controls that could have prevented or detected Ms. Stolzberg's misdeeds

The Agency should maintain effective internal controls over federal award programs to provide reasonable assurance that it is managing its federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements, including charging only reasonable and necessary costs to the program within the funding period. Further, the Agency should maintain internal controls such that no single employee is able to prepare, approve, and submit expenditures or reimbursement requests without independent review. Because no one reviewed Ms. Stolzberg's work, she was able to submit to the Governor's Office a falsified reimbursement request for fictitious expenditures that were not supported by any documentation.

In the time since the Office of the Auditor General's investigation began, agency administrators identified and implemented improvements to controls over its federal award programs. Specifically, agency administrators restructured their staff and distributed the workload so that no one employee is responsible for preparing, approving, and submitting reimbursement requests.

### Recommendations

To prevent future incidents of fraud and abuse like Ms. Stolzberg's, the Agency should:

- Ensure that all transactions are supported by adequate documentation, such as purchase requisitions, purchase orders, invoices, contracts, and receipts.
- Continue to ensure that no single employee has the ability to prepare, approve, and submit reimbursement requests without independent review.