

Financial Investigation Report

Yuma Elementary School District— Criminal Indictment

Our investigation resulted in a former human resources specialist's criminal indictment on 9 felony counts related to misuse of public monies, theft, fraudulent schemes and practices, and forgery.



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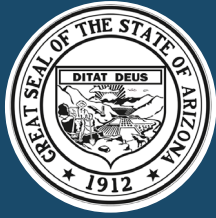
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October 22, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Governing Board
Yuma Elementary School District

Arizona Attorney General Mayes

Arizona Superintendent of Public Instruction Horne

We conducted a financial investigation of certain Yuma Elementary School District (District) transactions for the period November 2021 through October 2022. We performed the investigation to determine the amount of public monies misused, if any, during that period, and the scope of our investigation was limited to that purpose. The investigation consisted primarily of inquiries, observations, examinations of selected financial records and other documentation, and selected tests of internal control over District operations.

The Financial Investigation Report describes our findings and recommendations resulting from this investigation.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Synopsis

As part of their responsibility to prevent and detect fraud, Yuma Elementary School District (District) officials took appropriate action by reporting to us alleged financial misconduct by Mercedes Brena (aka Mercedes Ruiz), former human resources (HR) specialist.

Our investigation revealed that from November 2021 through October 2022, Ms. Brena may have perpetrated 3 payroll fraud schemes for her personal benefit and may have used a District purchasing card (p-card) and 2 District credit cards for her personal purposes, altogether causing an \$86,388 District loss. Ms. Brena admitted to us she was involved in all 3 payroll schemes and personally benefited from some of her unauthorized p-card purchases.

We submitted our report to the Arizona Attorney General's Office, which on August 18, 2025, presented evidence to the State Grand Jury, resulting in Ms. Brena's indictment on 9 felony counts related to misuse of public monies, theft, fraudulent schemes and practices, and forgery.

Background

The District had fiscal year 2024 revenues of approximately \$125 million and provided public education to about 8,400 students from kindergarten through 8th grade. In January 2021, the District hired Ms. Brena as an HR administrative secretary and about a year later promoted her to HR specialist. Among other HR duties, Ms. Brena served as coordinator with Educational Services, Inc. (ESI), the District's contracted provider for certified and classified substitute staff. The District paid ESI for substitutes' payroll and related taxes along with a percentage-based fee for ESI's services. The District maintained a kiosk at the District office for applicants interested in becoming ESI employees, and Ms. Brena assisted them with the ESI hiring process. She also submitted substitutes' time sheets to ESI and reviewed ESI invoices for errors before submitting them to the District's finance department for payment. Ms. Brena resigned in October 2022 after the HR director questioned her about her unauthorized p-card purchases.

Summary of Ms. Brena's alleged embezzlement schemes totaling \$86,388
November 2021 through October 2022

2021		2022									
Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
		\$74,069 in payroll fraud schemes									
\$12,319 in personal purchases with District p-card and credit cards											

Source: Auditor General staff analysis of District records, Ms. Brena's personal bank account records, and interviews with District staff and others.

Ms. Brena admitted to perpetrating 3 payroll fraud schemes resulting in a \$74,069 District loss

From January through October 2022, Ms. Brena abused the control she exercised over ESI-related payroll to perpetrate 3 fraud schemes with progressively larger benefits to herself, resulting in a gross District loss totaling \$74,069. This gross amount includes payroll, payroll-related taxes, and ESI's service fees and is higher than the \$47,579 net amount Ms. Brena received as a result of these schemes. Ms. Brena used this amount for personal purposes such as rent and debt obligations, travel, entertainment, retail and restaurant purchases, and covering her negative personal bank account balances.

► Ms. Brena's \$4,406 payroll scheme

From January through August 2022, the District lost \$4,406 because Ms. Brena directed ESI to pay a substitute teacher unauthorized amounts and then kept for herself the teacher's repayment to the District. Specifically, Ms. Brena emailed ESI 6 times improperly directing them to either retroactively pay the teacher for some of his previously paid days at a 40% higher rate than his authorized daily rate or to pay him for time she claimed he spent attending training courses, though those courses did not exist. For some of this unauthorized pay, Ms. Brena told the teacher he needed to submit a money order to the District for repayment and she could help him with that. As a result, the teacher provided Ms. Brena with 4 money orders totaling \$2,145; however, Ms. Brena kept that money for herself. All 4 money orders were deposited into Ms. Brena's personal checking account, and she admitted to us that on 2 of the money orders, she changed the payee from "Account[s] Payable Yuma" to her own name. We found no indication the teacher knew Ms. Brena kept this money.

► Ms. Brena's \$24,318 payroll scheme

From March through April 2022, the District lost \$24,318 because Ms. Brena directed ESI to pay another substitute teacher unauthorized amounts and then kept for herself that teacher's repayment to the District. Specifically, 16 ESI time sheets falsely claimed that teacher had not been paid for 345 previously worked hours and even claimed she should be paid for 101 hours to be worked in the future. ESI emailed Ms. Brena requesting confirmation that hours should be paid prior to being worked, and Ms. Brena confirmed. The 16 time sheets included the teacher's and her supervisor's forged signatures, and Ms. Brena admitted to us that she submitted these time sheets knowing those signatures were not authentic. Before this unauthorized pay was directly deposited in the teacher's personal bank account, Ms. Brena reportedly told the teacher that ESI was making payroll mistakes, and the money paid to her in error needed to be returned by cash or money order. As a result, the teacher provided Ms. Brena with \$15,240 cash; however, Ms. Brena kept that money for herself. Ms. Brena admitted to us that she deposited this money into her own account. We found no indication the teacher knew Ms. Brena kept this money.

► **Ms. Brena's \$45,345 payroll scheme**

From May through October 2022, the District lost \$45,345 because Ms. Brena directed ESI to pay unworked hours at unauthorized rates to a fake employee (aka ghost employee) she had created using her mother's personal identifying information. Ms. Brena's mother did not work at the District. Nonetheless, Ms. Brena admitted to us that she completed time sheets for her mother and submitted them for processing. Specifically, 8 of these 12 ESI time sheets included certain purported supervisors' forged signatures for her mother's fictitious custodial and other alleged services, with pay rates up to 330% higher than the authorized rates for those positions. The \$30,194 resultant pay was direct deposited into Ms. Brena's personal checking account.

Ms. Brena allegedly used a District p-card and 2 District credit cards for her personal purchases totaling \$12,319

From November 2021 through May 2022, Ms. Brena allegedly used a District p-card and the District's Sam's Club and Walmart credit cards for her personal purchases totaling \$12,319. Ms. Brena used these 3 cards to pay her personal Sam's Club membership renewal fee and to purchase 65 gift and prepaid debit cards in increments of \$100, \$200, and \$500. Ms. Brena admitted to us she had purchased about \$2,000 worth of those gift cards and used them for her personal purposes.

District officials failed to provide adequate oversight of Ms. Brena's financial activities

District officials failed to maintain effective internal controls over ESI-related payroll and allowed Ms. Brena to be the primary point of contact between ESI and the District without independent oversight. In particular, Ms. Brena was responsible for assisting prospective substitute employees with the ESI application process and submitting copies of their supporting documents such as drivers' licenses and social security cards to ESI. Ms. Brena also submitted substitute employees' time sheets to ESI and informed ESI of purported payroll corrections such as hourly rate changes or payments due for hours worked but that had not yet been paid. ESI sent their invoices and payroll spreadsheets to Ms. Brena, who then reconciled them to District purchase orders before she submitted them to the District's finance department for payment.

Additionally, District officials failed to properly oversee Ms. Brena's use of a District p-card and 2 District credit cards. District officials failed to provide Ms. Brena with formal p-card and credit card training, did not ensure she signed card-user agreements, and allowed Ms. Brena to make p-card purchases even though she was not an authorized cardholder. District officials also failed to adequately review Ms. Brena's p-card and credit card receipts to ensure her purchases were for authorized District purposes. For example, although District management questioned Ms. Brena about her December 2021 \$1,010 Walmart prepaid debit card purchase and her \$49 personal Sam's Club membership renewal a few months later, the District failed to adequately follow up on the purchases and never restricted Ms. Brena's credit card use.

Recommendations to the District

Since our investigation began, District officials reported to us that they improved internal controls over ESI-related payroll to ensure only time actually worked and approved is paid for, and only at authorized rates. Specifically, District officials reported that all ESI payroll-related email communications must now be copied to 3 District administrators; an electronic timekeeping system now tracks substitutes' work hours, allowing real time supervisor approval for worked hours; any corrections to substitutes' work hours must have supervisor approval through the timekeeping system; and the timekeeping system generates a detailed biweekly payroll report that is independently reviewed by 3 District administrators for appropriate pay rates and work hours. Although District officials also reported that a new data specialist position independently reconciles a modified version of the biweekly payroll report to ESI's invoice prior to payment, this control still allows the opportunity for unauthorized modifications of timekeeping data without detection. In particular, the District allows an HR employee to modify this report by adding data columns for approved hourly rates, substitutes' total regular and overtime hours, and substitutes' gross pay.

District officials also reported to us that they improved internal controls over p-card and credit card use by prohibiting gift card purchases; requiring cardholders to review and sign monthly statements confirming all purchases are accurate and within District policy; and requiring 2 District administrators to independently review and sign to indicate their approval on monthly statements. However, the District should take additional actions to improve controls over public monies and help deter, prevent, and detect fraud.

Specifically, District officials should:

1. Work with District legal counsel to determine if the District's ESI contract allows for recovery of amounts paid to ESI for unauthorized substitute payroll payments described above.
2. Work with District legal counsel to ensure future District ESI contracts properly define responsibilities and protect District resources in the event of breached contract terms.
3. Ensure ESI invoices are independently reconciled to original and unmodified District timekeeping reports generated through the District's electronic timekeeping system.
4. Conduct independent unannounced reviews of substitutes' timekeeping and ESI invoice payment processes to ensure procedures are appropriately followed and employees' access to the electronic timekeeping system is limited to that necessary for performing their job duties.
5. Provide detailed p-card and credit card training to all card-using employees and employees who process credit card payments, and ensure they acknowledge in writing their understanding of District purchasing policies and what the consequences are for not following those policies.

6. Ensure the District's credit card procedures describe the purpose of management's periodic review of credit card purchases as a fraud risk-prevention measure to confirm compliance with procurement rules and District policies, and that suspicious transactions are investigated to conclusion.
7. Conduct independent unannounced reviews of p-card/credit card processes to ensure procedures are appropriately followed and purchases are for approved District purposes.