

The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

TO OBTAIN
MORE INFORMATION

(602) 553-0333



or by visiting
our Web site at:
www.azauditor.gov

Contact person:
Lindsey Perry



2010

September • Alert 10 – 03

Embezzlement

An accounting clerk steals money from a bank deposit or a school district official establishes an unauthorized bank account and then takes donations deposited into the account for personal use. These are examples of embezzlement—a serious problem in the U.S., with estimated losses of up to \$600 billion annually.

Embezzlement is a person's unlawful misappropriation, for their personal use or the use of another, of money, property, or other things of value entrusted to them.

Embezzlers can be motivated to steal by drug, alcohol, or gambling problems; extramarital affairs; excessive debt; or a desire for material possessions.

The three costliest types of embezzlement schemes include theft of cash from bank deposits, skimming of cash receipts, and

fraudulent disbursements. We have investigated and assisted in the prosecution of several different types of embezzlement schemes:

For example, an Arizona school principal violated criminal statutes when she diverted gifts, donations, and other payments from local businesses, parent support organizations, and community members intended for students' benefit into unauthorized bank accounts. She embezzled approximately \$34,000 of this money by withdrawing cash and writing checks payable to herself and for her personal expenses. This former principal was indicted on 16 counts of misuse of public monies, 2 counts of theft, and 2 counts of fraudulent schemes. In September 2010, she pleaded guilty to one count of theft, one count of misuse of public monies, and paid full restitution.

Characteristics of a typical embezzler

- Over 60 percent of all embezzlers are men.
- Embezzlers are generally trusted employees who work in accounting, executive, sales, or customer service positions.
- The higher the embezzler's level of education and position, the larger the loss per incident.
- The amount of embezzlement is generally larger for long-term employees.

What You Can Do to Protect Your Entity

No system of internal controls can prevent or detect all embezzlement schemes, but a few well-designed controls can reduce your risk.

- Assign duties so that no one person controls all aspects of receipting, disbursing, and recordkeeping functions.
- Adopt a policy of mandatory vacations and mandatory duty rotations to help

limit individual employees' control over accounting functions.

- Don't hire thieves. Conduct background checks on all individuals in positions of trust.
- Perform independent reconciliations between accounting, cash receipt, cash disbursement, and deposit records.
- Thoroughly investigate indications of fraudulent disbursements or unauthorized bank accounts.