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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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DEPUTY AUDITOR GENERAL

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Members of the Arizona Legislature

Governing Board
Yucca Elementary School District

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Diane Douglas, Arizona State Superintendent of Public Instruction

The Office of the Auditor General (Office) has conducted a special investigation of the Yucca Elementary School District (District) for the period November 2010 through January 2013. The Office performed the investigation 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 District. 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 Special Investigative Report describes the Office's findings and recommendations as a result of this special investigation.

Sincerely,

Debbie Davenport
Auditor General

Attachment



SPECIAL INVESTIGATIVE REPORT

District overview

Our Conclusion

As part of its responsibility to prevent and detect fraud, district administrators took appropriate action by reporting a fraud allegation to our Office. Consequently, we conducted an investigation revealing that from November 2010 through January 2013, Shannon Cavalliere, former district business manager, may have violated state laws related to theft and misuse of public monies when she embezzled \$4,361. Specifically, Ms. Cavalliere used the District's credit and debit cards to make numerous personal purchases and cash withdrawals totaling \$3,891. In addition, Ms. Cavalliere improperly paid herself \$470 of district monies for mileage even though she had already charged her fuel costs to the District. Ms. Cavalliere abused her authority as the business manager and took advantage of the District's improper authorization of a bank account and its lack of internal controls over credit and debit cards and travel reimbursements.

On February 19, 2015, the Mohave County Attorney's Office presented evidence of Ms. Cavalliere's crimes to the County Grand Jury, resulting in her indictment on three felony counts.



2015

District provides education to elementary school students throughout Yucca area—Yucca Elementary School District (District), located in Mohave County, received nearly \$430,000 in fiscal year 2014 to educate 26 children in kindergarten through fifth grade.

Ms. Shannon Cavalliere worked for the District from November 2005 to January 2013—Ms. Cavalliere began her district employment as a teacher's aide, later becoming the business manager in July 2009. She managed general finances, including paying for travel expenses and credit card bills, and overseeing the District's Field Trip and Educational Funds bank account (Field Trip account), which, as explained on the next page, was not an authorized bank account.

As a result of a governing board inquiry regarding unusual charges on her district credit card, Ms. Cavalliere presented a \$1,172 cashier's check payable to the District at the January 15, 2013, board meeting and apologized for misusing district monies. She also submitted her resignation effective the next day. Our investigation revealed that Ms. Cavalliere misused additional district monies as described below.

Ms. Cavalliere embezzled and misused \$4,361 of public monies that should have benefited the District

Ms. Cavalliere used district credit and debit cards for personal purchases and cash withdrawals totaling \$3,891—From November 2010 through January 2013, Ms. Cavalliere embezzled and misused \$3,148 of public monies by using a district credit card and the Field Trip bank account debit card. She made 63 personal purchases for such items as clothing, weight management products, electronic media and games, and an iPod as a gift for a family member. Similarly, Ms. Cavalliere withdrew cash using the Field Trip bank account debit card on six occasions totaling \$743. In an interview with Auditor General staff, Ms. Cavalliere acknowledged the likely personal nature of these transactions; however, she declared that they were mistakes.

Ms. Cavalliere's embezzlement methods November 2010 to January 2013

Description	Amount
Personal purchases	\$3,148
Cash withdrawals	743
Mileage reimbursement	470
Total embezzlement	<u>\$4,361</u>

Source: Auditor General staff analysis of district records and interviews with former and current district staff.

Ms. Cavalliere improperly paid herself \$470 for mileage—In January 2012, Ms. Cavalliere used district monies to pay herself \$470 for mileage reimbursement even though she previously requested and received permission from the District's former superintendent to bypass the mileage reimbursement process and purchase fuel directly with a district credit card. Accordingly, from May 2011 to August 2012, Ms. Cavalliere used the district credit card at service stations 24 times, totaling \$1,152, in lieu of receiving mileage reimbursements.¹ However, in January 2012, she prepared,

¹ Although the District's former superintendent did not have authority to grant this exception to the state travel policy, Ms. Cavalliere's service station credit card charges have not been classified as embezzled monies in this report.

authorized, and processed her own travel claims to pay herself an additional \$470 of district monies for mileage reimbursement while also using the district credit card at service stations on the same trips.

Former district administrators facilitated district officials' mishandling of public money

In October 2001, former district administrators facilitated mishandling of public monies by improperly establishing the Field Trip bank account for purposes not authorized by state statutes. Allowable bank accounts are specifically prescribed in Title 15 of Arizona Revised Statutes and must be used only for their statutorily authorized purposes. Having this Field Trip bank account made it easier for Ms. Cavalliere to misuse public monies. Although district officials did not maintain records to support most Field Trip bank account transactions, they indicated deposits were from various sources, including donations and fees, student fund-raising proceeds, and money from other district funds reimbursing the Field Trip bank account for various expenses such as student travel, supplies, and repairs.² These various public monies should be deposited in separate district funds to help ensure the District appropriately manages and protects them.

District officials failed to provide adequate oversight and maintain effective internal controls

District officials did not provide adequate oversight to ensure the appropriateness of Ms. Cavalliere's credit card and Field Trip bank account debit card transactions. Specifically, the District allowed Ms. Cavalliere to make purchases and cash withdrawals, reconcile receipts and invoices to statements, pay credit card bills, and use the Field Trip bank account's debit card without any independent review. Moreover, until our investigation, district management was unaware of at least two open credit card accounts and one card that was still associated with a former employee.

Additionally, the District allowed Ms. Cavalliere to prepare, authorize, and process her own travel expense claims without any independent review or approval.

Recommendations

Since the Office of the Auditor General's investigation began, district administrators stated that they implemented improvements to certain controls over district finances. Specifically, fuel is no longer authorized to be purchased with credit cards. Further, a different employee now reviews the business manager's credit card charges and approves her travel expense claims. In addition, district administrators stated that they canceled the debit card associated with the Field Trip bank account. However, the District can take additional actions to improve control over public monies to help deter and detect fraud. Specifically, the District should:

- Close the Field Trip bank account and ensure all monies are deposited and accounted for in accordance with state statutes and the USFR.
- Evaluate the need for all credit card accounts, close any accounts determined unnecessary, and ensure any accounts associated with individuals terminating employment are promptly closed.
- Ensure an employee or governing board member periodically performs an independent and detailed review of district financial transactions.

² In accordance with state statutes and the *Uniform System of Financial Records for Arizona School Districts* (USFR), the District should segregate these monies by accounting for donations in the District's Gifts and Donations Fund, student fund-raising in the District's Student Activities Fund or authorized bank account, fees in the District's Auxiliary Operations Fund, and student transportation, supplies, and repairs in the District's Maintenance and Operation Fund or other allowable funds.