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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

September 17, 2018

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board
Glendale Union High 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 financial investigation of Sunnyslope High School in the Glendale Union High School District for the period May 2015 through July 2017. The Office performed the investigation to determine the amount, if any, of public monies misused during that period.

The investigation consisted primarily of inquiries, observations, examination of selected financial records and other documentation, and selected tests of internal control over Sunnyslope High School student parking permit operations. The investigation was not conducted in accordance with U.S. generally accepted auditing standards and was more limited than would be necessary to ensure we discovered all misused public monies or to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies are disclosed.

The Financial Investigation Report describes our findings and recommendations as a result of this investigation.

Sincerely,

Lindsey Perry, CPA, CFE
Auditor General

Attachment

Glendale Union High School District **Criminal Indictment—Theft and Misuse of Public Monies**

SYNOPSIS: As part of its responsibility to prevent and detect fraud, the Glendale Union High School District took appropriate action by reporting a fraud allegation to the Office of the Auditor General. Our investigation revealed that from May 2015 through July 2017, Eunice Lopez, former attendance secretary at Sunnyslope High School, may have misappropriated \$3,455 of Sunnyslope student parking permit payments and used them for her own personal purposes. We have submitted our report to the Arizona Attorney General's Office, which presented evidence to the Arizona State Grand Jury on August 27, 2018. The action resulted in Ms. Lopez's indictment on five felony counts related to theft, misuse of public money, and fraudulent schemes.

Overview

Glendale Union High School District (District) is the second largest high school district in Arizona and serves the communities of Phoenix and Glendale. For fiscal year 2017, the District operated nine high schools with approximately 15,500 students and \$157,084,906 in revenue. Eunice Lopez began working for the District's Sunnyslope High School in 2005 as an instructional aide and in 2015 became the attendance secretary. In that capacity, she was responsible for both collecting student parking permit payments and issuing the parking permit decals, as well as managing student registration, attendance, and disciplinary records.

In August 2017, Sunnyslope High School bookstore employees conducted an analysis after discovering monies paid for student parking permits were missing and promptly reported their findings to school administration. An administrator interviewed Ms. Lopez, and she admitted she had taken the monies. She also signed a document acknowledging the admission statements she made to the administrator. On August 31, 2017, Ms. Lopez submitted her resignation, effective immediately.

Ms. Lopez may have embezzled 151 cash payments totaling \$3,455 and used them for her own personal purposes

From May 2015 through July 2017, Ms. Lopez received 151 cash payments totaling \$3,455 for student parking permits that she failed to remit to the bookstore and failed to include on cash collection reports she prepared. After receiving these cash payments, Ms. Lopez issued the parking permit decal to the students but kept the monies for herself. Because Ms. Lopez was solely responsible for issuing parking permit decals and recording the student and associated parking permit number on a spreadsheet she controlled, she was able to keep cash payments and avoid detection. Ms. Lopez was able to further conceal her scheme by either failing to issue a receipt from the receipt log or issuing a receipt but failing to remit the receipt log to the bookstore. Additionally, she omitted these cash payments from the cash collection reports she submitted to the bookstore, making it appear as if she were remitting all the monies she collected for parking permits when in fact she was underreporting her collections.

As mentioned earlier, Ms. Lopez admitted to an administrator that she had taken the monies and signed a statement indicating such. She also admitted to Auditor General staff that she had used the monies for her own personal bills, acknowledged what she did was wrong, and claimed she wanted to pay the money back. As of August 17, 2018, no repayment had been made.

Ms. Lopez admitted to taking cash payments and using the monies for her personal bills.

District officials did not enforce procedures for collecting and depositing parking permit fee payments or ensure responsibilities were adequately separated

Because district officials did not ensure certain parking permit fee collection and deposit procedures were followed or ensure responsibilities were adequately separated, Ms. Lopez was able to underreport cash collections for 2.5 years without detection. Specifically, when Ms. Lopez failed to provide bookstore staff with the receipt log, no one followed up and required her to do so. Moreover, the receipt log itself was ineffective because it did not list the receipt numbers on the carbon copy. Therefore, even when Ms. Lopez provided the bookstore staff with the receipt log, bookstore staff could not account for all payments received. Additionally, no one verified whether Ms. Lopez's cash collection reports were accurate. Ms. Lopez was able to collect monies with or without issuing receipts and still distribute parking permit decals to students because no one compared her cash collection reports with either the parking permits she distributed or the receipts she issued until August 2017 when, as mentioned on the previous page, bookstore staff conducted an analysis and discovered Ms. Lopez's actions.

Recommendations

Since becoming aware of the alleged theft, district officials reported that they implemented improvements to controls over the District's parking permit fee-collection processes. Specifically, district officials reported that they now require Sunnyslope High School students to pay their parking permit fees at the bookstore. Students must present the bookstore-issued receipt to the attendance secretary, who then issues the parking permit decal and records the student name and parking permit number on a spreadsheet. However, the District can take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, district officials should:

- Revise written cash receipt procedures to include an independent comparison of the attendance office parking permit spreadsheet to bookstore-issued receipts, the number of permits the school allots for student parking, and the number of permits remaining to be sold to ensure all issued permits have been appropriately paid for.
- Evaluate and revise written cash receipt procedures to incorporate the improvements described earlier that district officials have reported as implemented.
- Train employees responsible for collecting monies, employees issuing permits, and their supervisors on these procedures; require these employees and supervisors to acknowledge their understanding of the procedures in writing; and require the procedures to be implemented.