



A REPORT
TO THE
ARIZONA LEGISLATURE

Special Investigative Unit

Special Investigation

Coconino County Public Fiduciary's Office

Theft of Public Monies

APRIL • 2008



Debra K. Davenport
Auditor General

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April 28, 2008

Members of the Arizona Legislature

The Coconino County Board of Supervisors

The Honorable Terry Goddard
Attorney General

The Office of the Auditor General has conducted a special investigation of the Coconino County Public Fiduciary's Office for the period February 2005 through July 2006. The investigation determined 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 Coconino County Public Fiduciary's Office. The Office also does not ensure that all matters involving the County'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.

After this report is distributed to the members of the Arizona State Legislature, the Coconino County Board of Supervisors, and the Attorney General, it becomes public record.

Debbie Davenport
Auditor General

Enclosure

SUMMARY

In September 2006, the Coconino County Sheriff's Office requested that the Office of the Auditor General investigate allegations of financial misconduct by Ms. Helena Yazzie, former case manager for the Coconino County Public Fiduciary's Office. As a result, our Office conducted an investigation of those financial improprieties and submitted our report to the Attorney General's Office. During our investigation, we determined that Ms. Yazzie embezzled public monies and falsified official records in attempts to conceal her scheme. The Attorney General's Office has taken criminal action against Ms. Yazzie, which resulted in her indictment on felony charges. See the Conclusion on page 13 of this report.

Our investigation revealed that from February 2005 to July 2006, Ms. Yazzie embezzled at least \$16,757 of public monies. These monies were entrusted to the Coconino County Public Fiduciary's Office on behalf of persons unable to manage their financial affairs; however, Ms. Yazzie used the money for her personal benefit.

Ms. Yazzie embezzled from 11 wards by taking advantage of inadequate controls over the disbursement of wards' money. Specifically, she prepared check request forms stating that wards needed certain items such as medication, which would be obtained from a retail or grocery store pharmacy. Normally, these checks would be delivered directly to the ward; however, Ms. Yazzie intercepted these checks. She then used the checks at the listed store to purchase gift cards, using the cards for her own personal debts and expenses. No one else reviewed the disbursement records or asked for supporting documentation for the purchases, so no one knew the money had been spent on gift cards. Ms. Yazzie also falsified official records by reporting the false disbursements to the Coconino County Superior Court.

Investigation Highlights:

- ◆ Ms. Yazzie embezzled at least \$16,757.
- ◆ Ms. Yazzie falsified records to conceal her fraudulent scheme.

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INTRODUCTION & BACKGROUND

The Coconino County Public Fiduciary's Office is located in Flagstaff, Arizona. Each county board of supervisors is required by Arizona Revised Statutes to appoint a public fiduciary and establish an office to help carry out the public fiduciary's duties. The public fiduciary is responsible for administering the estates of individuals determined by the Superior Court to be in need of guardianship because of their inability to make or communicate responsible decisions. These individuals become wards of the county when the Superior Court appoints the public fiduciary as their guardian, conservator, or personal representative.

The Arizona Supreme Court certifies fiduciaries through its Fiduciary Certification Program, which is designed to ensure that Arizona's elderly, mentally incapacitated, and other vulnerable citizens have certified individuals or businesses managing their financial affairs, medical decisions, and other vital matters. The program certifies individuals or business entities who are eligible for court appointments as guardians, conservators, and personal representatives. The Arizona Code of Judicial Administration §7-202(J) Fiduciary Code of Conduct requires a fiduciary to exercise extreme care and diligence when making decisions for a ward and to exhibit the highest degree of trust, loyalty, and fidelity.

Monies received by a public fiduciary are public monies and shall be lawfully administered. Once a year, the public fiduciary is required to report to the Court an accounting of each estate. This account is a listing of all monies received and disbursed during the year on behalf of the ward. In addition, if a ward dies or the estate is reassigned, the public fiduciary must complete a final accounting, which lists all monies received and disbursed up to that date.

Each county pays the normal operating costs associated with its public fiduciary's office. During fiscal year 2007, the Coconino County Public Fiduciary's Office General Fund expenditures were \$300,818, with 4 case managers handling the estates of approximately 112 wards. The public fiduciary may charge wards for reasonable expenses of managing their affairs, based on their ability to pay. These amounts are deposited in the County's General Fund and for fiscal year 2007 they totaled \$32,043.

Ms. Helena Yazzie began her employment with Coconino County in June 1999 as an eligibility worker. The Public Fiduciary's Office hired Ms. Yazzie as a case manager in August 2000. Ms. Yazzie became a certified fiduciary in August 2001 and her conduct as a fiduciary became subject to the Fiduciary Code of Conduct as described above, which applies to all Arizona fiduciaries. However, Ms. Yazzie breached her fiduciary duties and ethical obligations. Her actions went undetected until one of Ms. Yazzie's wards noticed unexpected grocery store disbursements on her annual accounting and notified her nursing home caregiver. The ward's caregiver contacted the Coconino County Attorney's Office in July 2006 concerning these payments that were reportedly made on the ward's behalf, but were never received. As a result of the caregiver's report, the Public Fiduciary's Office became aware of Ms. Yazzie's improprieties and reported their findings to the Coconino County Sheriff's Office, and, on August 2, 2006, terminated her employment.

FINDING 1

Employee embezzled public monies

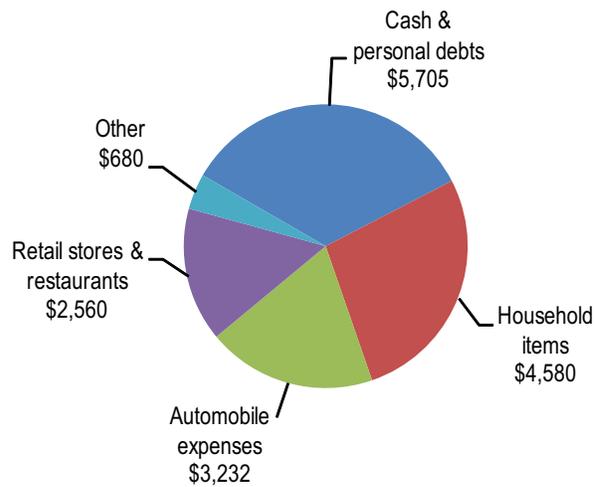
From February 2005 to July 2006, Ms. Helena Yazzie embezzled at least \$16,757 from 11 Coconino County Public Fiduciary wards to pay her personal debts and expenses. Over this 18-month period, Ms. Yazzie repeatedly violated state laws related to theft, fraudulent schemes, and misuse of public monies by issuing 93 checks she falsely claimed were for wards' expenses.

To perpetrate her embezzlements, Ms. Yazzie prepared check request forms stating that the checks would be used to purchase specific items for wards from specific stores. These request forms were submitted to other employees who then would draw a check on the ward's account made payable to the store indicated by Ms. Yazzie. For example, Ms. Yazzie would request that a check be made payable to a grocery store and indicate that the purpose of the check was to purchase prescription drugs from the store pharmacy. Normally, these checks would be mailed to the ward or held at the Public Fiduciary's front office for the ward or ward's caregiver to retrieve. However, Ms. Yazzie intercepted these checks and used them to purchase gift cards at the store rather than the stated items. She then applied the gift cards to her own personal purchases. Ms. Yazzie purchased 143 retail gift cards in a year and a half. As summarized in Exhibit 1 on page 4, Ms. Yazzie personally used the gift cards for cash, personal debts, household items, automobile expenses, retail stores, restaurants, and other purchases. The 11 wards for whom the gift cards were allegedly purchased never received the checks, gift cards, items indicated on the check requests, or items purchased by Ms. Yazzie.

Within an 18-month period, Ms. Yazzie issued 93 checks she falsely claimed were for wards' expenses.

Ms. Yazzie used Public Fiduciary checks to purchase 143 retail gift cards. She used the gift cards for her personal purchases.

Exhibit 1: Use of Embezzled Monies
February 2005 through July 2006



Source: Auditor General staff analysis of records from Safeway, Wal-Mart, Westcor, Money Gram, and Farmer's Insurance.

Details of Embezzlement

Cash and personal debts—Ms. Yazzie used \$5,705 of embezzled ward monies to pay herself cash and pay personal debts including payments to a law firm, a local high school, an eyewear company, and a summer music camp. Specifically, Ms. Yazzie used embezzled ward monies to purchase grocery store gift cards, which she then used to purchase money orders. Many of these money orders listed her home mailing address, and on several instances listed her children's or husband's names. She also paid her utility bills, loan payments, and satellite television bills with these stolen ward monies. For example, on September 1, 2005, Ms. Yazzie issued a county check from a ward's account, as described on page 3, made payable to a grocery store, and indicated that it was for the ward's medications. However, she used the check to purchase two grocery store gift cards, and then used the gift cards to purchase a money order to make a payment to a vehicle title loan company.

Ms. Yazzie even used some of these embezzled monies to purchase a vehicle belonging to the estate of another ward under her care. Ms. Yazzie sold this vehicle on behalf of the ward for \$300, significantly below its fair market value of \$2,200. Specifically, on August 5, 2005, Ms. Yazzie used a \$100 gift card purchased with monies from a ward's account and \$200 cash to obtain a \$300 money order. She gave this money order to another individual to purchase the vehicle. Public fiduciary policy requires case managers to prepare reports that document the sale of a ward's personal property and require the Public Fiduciary's approval. However, Ms. Yazzie failed to submit this report or gain the appropriate approval.

Household items—Ms. Yazzie used \$4,580 to pay for household items including groceries, toiletries, clothing, and electronics. For example, on December 6, 2005, Ms. Yazzie issued a \$100 check request form, indicating that the check was for a calling card for the ward. However, Ms. Yazzie used the check to purchase a discount department store gift card and used the gift card to make personal purchases of clothing, electronics, and food items instead of buying the ward a calling card.

Automobile expenses—Ms. Yazzie also used the wards' money to pay \$3,232 for her personal automobile expenses, such as gasoline and car insurance. To illustrate, on June 19, 2006, she issued a \$300 check request form, indicating that the check was for the ward's furniture. However, Ms. Yazzie used the check to purchase a Visa gift card and used the gift card to pay her past-due car insurance.

Retail stores and restaurants—Ms. Yazzie used \$2,560 to make purchases at retail stores and restaurants. For example, on August 12, 2005, she issued a \$400 check request form, indicating that the check was for the ward's clothing. However, Ms. Yazzie used the check to purchase a Visa gift card and used the gift card to make purchases at various retail stores and restaurants, including retailers in Las Vegas and other cities not frequented by the ward.

Other—These embezzled monies include \$680 for diverse grocery store purchases and service fees associated with purchasing gift cards.

FINDING 2

Employee falsified documents

Ms. Yazzie falsified official county and court documents in attempts to conceal and further her artifice. As described in Finding 1, Ms. Yazzie falsified County Fiduciary Office records to pilfer money from 11 county wards. From February 2005 to July 2006, she used fictitious descriptions on check request forms in order to make it appear the expenses were on behalf of the wards; however, the wards never realized any benefit from these disbursements.

In addition, from October 2005 to May 2006, Ms. Yazzie caused false information to be submitted to the Coconino County Superior Court regarding the financial condition for 7 of the 11 wards she had embezzled from. Once a year, the public fiduciary is required to report to the Court an accounting of each estate. This account is a listing of all monies received and disbursed during the year on behalf of the ward. When accountings came due for 7 wards, Ms. Yazzie attempted to cover up her embezzlements by falsely reporting that 38 disbursements totaling \$7,783 were made on behalf of 7 wards. In fact, she had used their money for her own personal benefit. Although through her scheme Ms. Yazzie had issued a total of 93 checks, the remaining 55 disbursements were not yet reported to the Court as Ms. Yazzie was terminated prior to the submission of those 4 wards' annual accountings.

To cover up her embezzlements, Ms. Yazzie falsely portrayed disbursements totaling \$7,783 and submitted them to the Court.

FINDING 3

The Public Fiduciary failed to establish and maintain adequate controls

A public official, such as the Public Fiduciary, has a responsibility to oversee the administration of money and property entrusted to her/his jurisdiction for safekeeping. Likewise, such an official should ensure that sufficient internal controls are designed and implemented to protect those assets. However, the Coconino County Public Fiduciary failed to implement an adequate system of internal controls for disbursing wards' funds. In fact, the Public Fiduciary's insufficient segregation of duties and ambiguous or absent policies weakened its control environment and allowed Ms. Yazzie to embezzle public monies without being detected for almost 18 months.

Ms. Yazzie was able to cause checks to be drawn from wards' accounts without any supervisory approval and without providing documentation such as receipts or invoices to support the disbursements' proper purposes. The Public Fiduciary's policies inappropriately allow case managers to approve their own expenditures. The policies do not require case managers to obtain secondary approval for ward disbursements or provide appropriate documentation to support the expenditure.

In addition, ward monies could be misappropriated because the Public Fiduciary's policy does not restrict employees from receiving checks drawn from wards' accounts. Typically, ward checks are either mailed to the ward or held at the Public Fiduciary's Office for retrieval by the ward or ward care provider. Because a Certified Fiduciary does not provide direct services such as grocery shopping to wards, Public Fiduciary employees should not receive ward checks. However, Ms. Yazzie was able to pick up the checks herself and use them for her personal benefit. Therefore, the Public Fiduciary should establish policies restricting employee access to ward checks.

Finally, because no one enforced existing policies and procedures, Ms. Yazzie was able to sell ward assets below their fair market value. Although they were circumvented, the Public Fiduciary policies set forth guidelines requiring appropriate

documentation and approval for the sale of ward property. If the review and approval of the proposed ward asset sale had been done, the improper disbursements and asset disposals could have been discovered earlier and prevented.

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RECOMMENDATIONS

To help ensure the proper use of public monies, the Public Fiduciary should establish effective internal controls over disbursements of ward money and settlement of ward assets including policies, procedures, and monitoring activities. Specifically, the Public Fiduciary should ensure that the following actions are taken:

1. The Public Fiduciary should establish and provide formal, written policies governing procedures for the management of ward money and other assets. The policies should provide clear guidelines for establishing the segregation of duties over cash disbursements and ensuring the proper guardianship of ward assets.
2. The Public Fiduciary should ensure that no employee has authority to carry out all steps in the disbursement process. Accordingly, the Public Fiduciary should properly segregate the following functions among employees:
 - Requesting disbursements
 - Approving disbursements
 - Recording disbursements in the accounting system

These functions can be effectively separated among the Public Fiduciary, case managers, and other administrative staff.

3. The Public Fiduciary must ensure that all ward expenditures are processed based on proper records. The documentation should be retained to support the specific purpose for the expenditure. Such documentation includes, but is not limited to, written requests from the ward or ward representative, properly approved check requests from the case manager, receipts, and vendor invoices. Expenditures should be approved only if they support the needs of the ward.
4. The Public Fiduciary should establish and provide formal, written policies governing the receipt of ward checks by county employees. Accordingly, the Public Fiduciary should restrict the ability of employees to receive ward checks without prior approval.

5. The Public Fiduciary should establish and provide formal, written policies governing the purchase and distribution of retail gift cards by county employees to wards or their representatives. Accordingly, the Public Fiduciary should require the signature of the ward or ward representative when the gift card is received.
6. The Public Fiduciary should establish periodic monitoring practices to ensure that all policies and procedures are followed.

CONCLUSION

On April 15, 2008, the Attorney General's Office took criminal action against Ms. Yazzie through the State Grand Jury. This action resulted in the indictment of Ms. Yazzie on a total of 10 counts related to theft, fraudulent schemes, and misuse of public money.