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September 30, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board
Valley Academy for Career and Technical Education

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Kathy Hoffman, Arizona State Superintendent of Public Instruction

We have conducted a financial investigation of Valley Academy for Career and Technical Education (VACTE) for the period June 2015 through March 2016. We performed the investigation to determine the amount of public monies misused, if any, 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 VACTE's 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

Valley Academy for Career and Technical Education Criminal Indictment—Theft and Misuse of Public Monies

SYNOPSIS: As part of its responsibility to prevent and detect fraud, Valley Academy for Career and Technical Education (VACTE) officials took appropriate action by reporting a fraud allegation to us. Our investigation revealed that from June 2015 through March 2016, Celestia Ziemkowski, former business manager, may have embezzled VACTE monies when she issued 5 unauthorized warrants totaling \$19,851 for her personal purposes and used a VACTE credit card to make personal purchases totaling \$10,746. Ms. Ziemkowski may have also falsified VACTE documents and information in VACTE's accounting software and Governing Board packets to conceal her actions. We have submitted our report to the Arizona Attorney General's Office, which on June 24, 2019, presented evidence to the State Grand Jury. The action resulted in Ms. Ziemkowski's indictment on 19 felony counts related to theft, misuse of public monies, fraudulent schemes, computer tampering, and forgery.

Overview

In fiscal year 2018, VACTE had revenues of approximately \$1.5 million and provided career and technical education to about 1,000 high school students in Camp Verde, Sedona, and Cottonwood. VACTE hired Celestia Ziemkowski in 2003 as an administrative assistant and promoted her to business manager about 2 years later. In May 2016 Ms. Ziemkowski resigned after a VACTE employee questioned her about certain credit card purchases. Ms. Ziemkowski acknowledged the purchases were hers and subsequently paid VACTE \$4,996 for some of those purchases.

Ms. Ziemkowski allegedly embezzled \$30,597 and falsified information in VACTE's records and accounting software

Ms. Ziemkowski's VACTE accounting software login credentials were used to issue 5 unauthorized warrants totaling \$19,851 and to record false information about those warrants in VACTE's accounting software and Governing Board packets—In July and December 2015, Ms. Ziemkowski's login credentials were used to issue 3 warrants totaling \$15,208 payable to her personal credit card companies, a \$3,643 warrant payable to her husband's credit card company, and a \$1,000 warrant payable to her friend.

Within a week of each warrant's issuance, Ms. Ziemkowski's login credentials were used to change VACTE's accounting software, altering the warrants' actual unauthorized payees to authorized payees, thus making it falsely appear as if the warrants were issued for valid VACTE purposes. Consequently, associated expense voucher packets that Ms. Ziemkowski produced for Governing Board approval included this false payee information and helped to conceal her actions.

Ms. Ziemkowski's login credentials were used to conceal the true nature of the 5 warrants issued for her personal purposes



Ms. Ziemkowski used a VACTE credit card to make personal purchases totaling \$10,746 and provided to another VACTE employee 3 forged credit card statements that concealed some of those personal purchases—From June 2015 through February 2016, Ms. Ziemkowski used her VACTE credit card to make 97 personal purchases totaling \$10,965 and 3 returns (\$219), netting a total amount of \$10,746. She made these purchases at retail, grocery, and home improvement stores; hotels; restaurants; gas stations; and utility companies.

Moreover, in January and March 2016, Ms. Ziemkowski provided 3 forged documents she falsely represented as VACTE credit card statements to a VACTE employee for her use in reconciling credit card transactions to receipts. These forged credit card statements omitted 49 of Ms. Ziemkowski's personal purchases and returns totaling \$4,363 and contained numerous other discrepancies such as mathematically incorrect balances; erroneous account names, numbers, and addresses; and inaccurate payment received and payment due amounts.

Subsequently, the VACTE employee compiled a list of 64 transactions totaling \$6,191 from November 2015 through February 2016 that did not have receipts and questioned Ms. Ziemkowski about them. As mentioned earlier, Ms. Ziemkowski acknowledged the purchases were hers and paid VACTE for some of them before resigning in May 2016. Specifically, she paid a total of \$4,996 by forfeiting \$3,796 of her pay and writing VACTE a \$1,200 personal check.

49 of Ms. Ziemkowski's personal transactions totaling \$4,363 were omitted from 3 forged credit card statements



Former VACTE superintendent failed to provide adequate oversight and enforce internal controls

The former VACTE superintendent allowed Ms. Ziemkowski to record expenditures in VACTE's accounting software, issue warrants to vendors, and prepare expense voucher packets for Governing Board approval without adequate oversight, and did not enforce internal controls designed to ensure credit card purchases were adequately supported and for VACTE-related purposes.

Recommendations

Since becoming aware of the alleged theft, VACTE officials reported that they have improved internal control procedures over expenditures and credit cards. Specifically, the current superintendent reported that he now ensures warrant payee names and addresses are appropriate by reviewing accounting software change logs once a month, and an employee independent of issuing warrants verifies prepared warrants are correct before they are mailed. However, VACTE officials can take additional actions to improve controls over public monies and help deter and detect fraud. Specifically, VACTE officials should:

- Separate accounting software responsibilities of maintaining vendors from issuing vendor payments. If limited staff does not allow for adequate separation, VACTE could explore alternatives for vendor maintenance services with the Yavapai County Education Service Agency.
- Conduct unannounced reviews of existing internal control procedures to enforce and verify that credit card billing statements are independently reconciled to transaction receipts monthly and purchases are for VACTE-related purposes.