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September 10, 2019

Members of the Arizona Legislature

The Honorable Doug Ducey, Arizona Governor

Governing Board  
Apache Junction Unified School District

The Honorable Mark Brnovich, Arizona Attorney General

The Honorable Kathy Hoffman, Arizona State Superintendent of Public Instruction

We have conducted a financial investigation of Apache Junction Unified School District (District) for the period May 2012 through April 2017. 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 District 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

## Apache Junction Unified School District Criminal Indictment—Theft and Misuse of Public Monies

**SYNOPSIS:** We received an allegation of financial misconduct by Dr. Chad Wilson, former Apache Junction Unified School District (District) superintendent. Our investigation revealed that from May 2012 through April 2017, Dr. Wilson may have illicitly authorized \$133,223 of additional compensation to District administrators above their contracted amounts, including \$480 to himself, and failed to obtain Governing Board approval he knew, or should have known, was required. We have submitted our report to the Arizona Attorney General’s Office, which on August 26, 2019, presented evidence to the Arizona State Grand Jury. The action resulted in Dr. Wilson’s indictment on 4 felony counts related to theft and misuse of public monies.

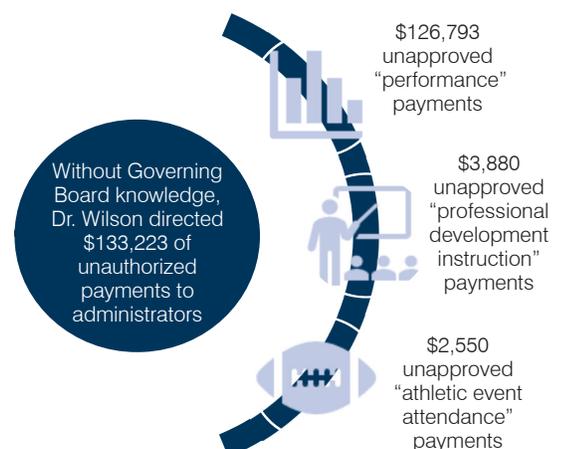
### Overview

In fiscal year 2018, the District had \$32 million in total revenue and provided public education to approximately 3,400 students from preschool through the 12th grade at its 5 schools. During our investigation period of May 2012 through April 2017, the District experienced moderate financial pressure contributed to in part by declining student enrollment and voter-rejected spending increase elections. Consequently, the Governing Board considered certain cost-saving measures and for fiscal year 2016 helped cut \$2.7 million from the budget by adopting a 4-day work week to save on expenses, such as utility bills. As later described, Dr. Wilson used this 4-day work week schedule as justification for some of his illicit payments.

Dr. Wilson began his District employment in 2000 as an assistant principal and progressed through various administrative positions until he became superintendent in July 2009. In June 2017, the Governing Board entered into a severance agreement with Dr. Wilson after determining he had directed unauthorized payments to administrators without Board knowledge. This agreement called for Dr. Wilson’s June 30, 2017, resignation and included payment for his unused vacation and sick leave time. Additionally, to resolve potential claims resulting from these unauthorized payments, the Board entered into settlement agreements with 14 administrators, which included making a one-time, \$2,000 payment to each administrator.

### Dr. Wilson may have illicitly authorized \$133,223 of additional compensation to District administrators without Governing Board knowledge or approval

Dr. Wilson illicitly authorized \$133,223 of payments to District administrators for “performance,” “professional development instruction,” and “athletic event attendance” that required Governing Board approval because the compensation was not included in administrators’ employment contracts. District policy requires that the Board establish salaries and benefits for all employees. As the District superintendent, Dr. Wilson agreed to abide by District policies, rules, and regulations. Moreover, beginning in about July 2006, Dr. Wilson routinely attended meetings related to Board approval of employee compensation and therefore knew, or should have known, he did not have authority to independently approve payments beyond what was outlined in employee contracts.



**For a period of 5 school years ending in 2016, Dr. Wilson illicitly authorized \$126,793 of “performance” payments to administrators**—Dr. Wilson authorized “performance” payments for 11 to 15 administrators at the end of each school year from 2012 through 2016 without obtaining Board approval or even establishing specific performance criteria administrators had to meet to qualify for the payments. Instead, principals and assistant principals received performance pay in the same amount that teachers at their respective schools earned by meeting their stated performance criteria, and District-level administrators received performance pay as an approximate average of the payments to teachers throughout the District. These payments to principals, assistant principals, and District administrators ranged from \$737 to \$2,786.<sup>1</sup>

**For a period of 2 school years ending in 2017, Dr. Wilson illicitly authorized \$6,430 of “professional development instruction” and “athletic event attendance” payments to administrators**—Dr. Wilson authorized \$3,880 of “professional development instruction” payments for 5 to 7 administrators, including \$480 for himself, and \$2,550 of “athletic event attendance” payments to 3 administrators for school years 2016 and 2017. These payments, ranging from \$80 to \$720, were for time administrators spent on Fridays providing professional development instruction and attending athletic events. As mentioned earlier, because the District was experiencing financial pressure, the Board adopted a 4-day school week as a cost-saving measure for these 2 school years, and Fridays were no longer regular workdays. Nonetheless, the Board had not given approval for any of these payments.

Moreover, even though Dr. Wilson’s employment contract required him to dedicate in excess of 40 hours per week to perform his duties, Dr. Wilson directed staff to include his Friday “professional development instruction” hours with the other administrators and thereby received \$480 he was not entitled to.

## District officials did not have controls in place to ensure that Governing Board approved all employee compensation

Although District policy requires the Governing Board to approve all employee compensation, District officials did not have controls in place to ensure approval occurred prior to paying employees. In particular, schedules of employee salaries and benefits did not always include evidence of current Board approval. Additionally, personnel action request forms the District used to issue payments to employees did not include a provision for documenting Board approval.

### Recommendations

Since discovering the illicit payments, District officials reported that the Board now approves annual administrator employment contracts with provisions for performance-related pay, and they discontinued administrator payments for professional development instruction and athletic event attendance. However, the District can take additional actions to improve internal controls over public monies. Specifically, District officials should:

- Conduct unannounced reviews of payroll records and existing control procedures to enforce and verify that the District pays employees only what the Board approves.
- Modify documents supporting employee compensation, such as schedules of employee salaries and benefits and personnel action request forms, to include the Board meeting approval date.

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<sup>1</sup> Administrator “performance” payments were paid with General Fund monies, not Classroom Site Fund monies, which are earmarked for teacher performance pay in accordance with Proposition 301 that voters passed in November 2000 increasing the State-wide sales tax to provide additional resources for education programs. Under statute, these monies, also known as Classroom Site Fund monies, may be spent for specific purposes, primarily increasing teacher pay.