

Walker & Armstrong's Comments on the District's Response

A.R.S. §41-1279.03(A)(9) requires school districts to provide a written response indicating whether they agree with the findings and plan to implement the recommendations in audits conducted by or on behalf of the Arizona Auditor General. Consistent with this requirement, the District has provided its response to the performance audit report, which is presented on the following pages. However, the District has made statements in its response that mischaracterize the audit report and are misleading and therefore we have provided the following clarification.

Issue 1

District mischaracterizes the audit's discussion of the superintendent's vehicle-related benefits and makes incorrect assertions

In its response to Finding 1, the District makes certain misrepresentations relating to the superintendent's unapproved and improper personal use of a District vehicle. It also asserts incorrectly that the audit should not have questioned the personal benefits provided to the superintendent. Specifically, in its response the District states the following:

- "The District disputes that the State's gift clause would not have permitted the Board to approve the Superintendent's use of a District vehicle primarily for personal use to commute to and from work."
- "To the extent the Performance Audit Report suggests a Governing Board cannot authorize a Superintendent to use a District vehicle for personal benefit, as part of an overall compensation package in which all income including the value of the use of vehicle is reported as taxable income, this is not correct."
- "Moreover, the Performance Audit Report's suggestion that the vehicle stipend 'appears excessive and may be a waste of public monies' does not establish that the District's 'give' under the Superintendent's contract is 'grossly disproportionate' to its 'get.'"
- "This finding improperly second guesses the policy decisions of the District..." and "...fails to adequately evaluate applicable Gift Clause jurisprudence."

Walker & Armstrong's comments

As presented in Finding 1, Issue 1, pages 3 through 7, the superintendent's personal use of the District's vehicle and fuel card may have violated the State Constitution's gift clause because the Constitution requires that public monies be used for a public purpose and that the value to be received by the public not be far exceeded by the amount paid. During the audit, the District did not provide an explanation regarding the public purpose of paying for its superintendent's personal commute nor the value it received in return for providing such a benefit. Moreover, the District was unable to demonstrate that the superintendent's use of

the District vehicle was considered as part of an overall compensation package, Board-authorized, documented, valued, and/or correctly reported for tax purposes. Absent documentation related to these factors, the District providing a vehicle and credit card for the superintendent's unlimited personal use is both a potential waste of public monies and a potential gift clause violation.

Finally, contrary to the District's response, we did not identify nor report a potential gift clause violation related to the vehicle stipend the District provided to its superintendent in fiscal years 2024 and 2025. Instead, we report the results of our evaluation of District expenditures and our review of District-provided documentation relating to how it determined the stipend amount. We found the District was unable to support that the \$18,000 annual vehicle stipend provided to the superintendent was a prudent use of its resources when compared to travel-related benefits provided by peer districts and the District's documented travel records. Further, subsequent to our findings and as noted in the District's response, it reported that it recently evaluated and reduced the superintendent's vehicle stipend by 44%, from \$18,000 to \$10,000 annually.

Issue 2

District incorrectly asserts that the superintendent's use of the District's vehicle for official purposes is supported and implies that the lack of prior audit findings justifies its noncompliance

In its response to Finding 1, the District also provided information in its attempts to justify the Board's failure to comply with State and federal requirements relating to the superintendent's compensation that is inaccurate and potentially misleading. Specifically, the District response states the following:

- "Further, even though the Superintendent did not maintain mileage logs, the District can provide support for the conclusion that the estimated mileage incurred by the Superintendent for District related purposes is well in excess of the calculations set forth in the Performance Audit Report."
- "...the use of a District vehicle by the Superintendent was in place before the current Superintendent's tenure began....The current Superintendent was unaware that this use had not been approved by the Board....The District [financial] auditors never once issued a finding or raised any concern about this matter."

Walker & Armstrong's comments

The District provided support for the superintendent's travel for District business that consisted of a statement from the superintendent estimating his typical travel to meetings and/or conferences. This anecdotal information is insufficient to support the superintendent's actual travel during the period we reviewed or justify the use of the public monies it receives. As we accurately report in Finding 1, the total documented business travel for the District superintendent in fiscal year 2023 was only 324 miles. This demonstrates that the superintendent's actual travel for District business was minimal compared to the value of the personal commuting benefit the District provided to him by allowing his unlimited use of a District vehicle and credit card for fuel expenses.

The District also incorrectly suggests that a lack of awareness justifies its noncompliance with State requirements. Arizona law and the USFR require salaries and benefits to be approved by the governing board and documented in written employment agreements. The District's own admission that it "cannot find documentation of authorization" confirms its noncompliance with these requirements. The retroactive statements the District provided from former Board members cannot be used to supply missing consideration or create the required contemporaneous Board approval and do not validate prior benefits the District improperly provided. Following Arizona law, including presenting and approving Board decisions in meetings open to the public, maximizes public access to the governmental process and ensures the public has the right to participate and provide input into the District's decision making. Similarly, the absence of a prior financial audit finding does not validate compliance nor rebut the evidence we report in this performance audit.

Issue 3

District's claim that the superintendent's salary was below average is misleading and does not justify potentially excessive vehicle stipends

In its response to finding 1, the District introduces salary survey data that was not discussed in the audit report and may mislead readers by omitting important context. The District response states:

- "The data collected through those surveys reflects that the Superintendent's base salary is below the median and average compensation for superintendents both state and nationwide....This data indicates that the Superintendent's compensation is not excessive."

Walker & Armstrong's comments

The District highlights a statewide average salary of \$122,000 for 2021, but the same source shows that similarly sized school districts in the same county had much lower average superintendent salaries—\$89,000 in 2021 and \$93,000 in 2022. The District's superintendent salary of \$98,000 was higher than these peer averages, contradicting the District's implication that his compensation was below average. Additionally, reasonableness of a vehicle stipend should be measured by actual travel and business need—not unrelated statewide salary averages.

Issue 4

District's discussion of missing background check mischaracterizes the issue the audit identified

The District's response to Finding 2 related to the District's failure to ensure all staff undergo required background checks mischaracterizes the issue described in the audit. Specifically, the District states the following:

- "The District does not agree that any student's safety has actually been at risk. The finding is based on an isolated incident...."

Walker & Armstrong's comments

The District's response does not acknowledge that its failure to conduct all required background checks increased potential risks to student safety. Instead, the District's response focuses on its retroactive assessment of whether the specific employee we identified who lacked the required background check posed an actual danger to students.