



# AUDITOR GENERAL'S COMMENTS ON DISTRICT RESPONSE

We appreciate the District's response and the Governing Board (Board) president's letter, including the District's agreement to implement either all the recommendations or a modification of them. However, these 2 documents include certain inaccurate or misleading statements that necessitate the following comments and clarifications:

1. The Board president's "Response to Finding Number 1" asserts on page 2 of her letter that the Auditor General's office "believes that the value paid [to the superintendent] exceeded benefits received and therefore there has been a gift of funds."

We disagree with the Board president's assertion that we "believe" or, in other words, made a legal determination, that "there has been a gift of funds." Rather, our report includes factual District superintendent compensation amounts compared to other Arizona school districts' reported superintendents' compensation amounts. These facts show the District paid its superintendent about 100 percent more than the superintendents at the State's 3 largest districts. We did not assert there had been a gift of public monies but recommended the District work with its legal counsel and the Arizona Attorney General's Office to determine whether a gift of public monies was made, and if so, what needs to be done to resolve the issue.

2. The Board president's "Response to Finding 1" also asserts on page 2 of her letter that "Board members indicated that the payment for the retirement credit was initiated in an exchange for the Superintendent's promise to remain with the District."

The District did not provide us with any documentation to support that its \$1,712,976 payment of "additional compensation" for the superintendent was in exchange for a "promise." Neither did the District provide us with documentation to show the public's value of this "promise" in relation to the \$1,712,976 paid with public monies.

3. The Board president's "Response to Finding Number 2" on page 3 of her letter asserts the "Auditor General's finding that failing to include the amount paid for the retirement credit within the body of the employment contract violated Arizona's Public Records Law is unsupported by the requirements of those statutes."

We disagree with the Board president's assertion that we made a legal determination the Arizona Public Records Law was "violated." Rather, our report states the District was not transparent and did not enable the public to monitor the District and superintendent's performance when it omitted critical information related to the superintendent's "additional compensation" amounts in 2 of the 3 employment agreements. Specifically, we identified the District only included an "additional compensation" amount in the first employment agreement of \$1,800 per pay period (or \$93,600 for the 2 years that agreement was in effect). Despite including these amounts in the first employment agreement and for an unknown reason, the District did not follow the same transparent approach with the Superintendent's subsequent 2 employment agreements, which included a significantly greater amount in "additional compensation." As a result, the District omitted from the second and third employment agreements \$1,619,376 of the superintendent's \$1,712,976 "additional compensation" amounts over 5-1/2 years.

4. The District asserts on page 2 of its response that “The Governing Board agreed to pay the superintendent a retirement credit and agreed that the amount to be paid would be sufficient to cover all tax liability associated. . . . The Arizona State Retirement System expressly authorizes the use of post-tax pay to purchase retirement credit.”

The District’s assertion that the superintendent’s retirement credits were purchased using post-tax pay is wrong. Although the Arizona State Retirement System (ASRS) authorizes the use of post-tax pay to purchase retirement credits, as described on page 9 in our report, the superintendent did not elect to use this method for the superintendent’s 5 service purchase agreements with ASRS. Rather, per the superintendent’s election, the District deducted and sent to the ASRS the superintendent’s retirement credit payments through pre-tax deductions. This is an important distinction because the District failed to correctly apply pre-tax status when it calculated the “additional compensation,” which led to overpayments to and on behalf of the superintendent. As a result of this and other errors, the District overpaid an estimated \$571,256 beyond what the Board agreed to pay.